Ratusaria Industries Private Limited

May 08, 2025

Ratings

Security / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	84.47 (including proposed limit of Rs. 11.41 crore)	IVR BBB-; Stable (IVR Triple B Minus with Stable Outlook)	-	Rating Assigned	Simple
Short Term Bank Facilities	9.53	IVR A3 (IVR A Three)	-	Rating Assigned	Simple
Total	**94.00 (Rupees ninety-four crore only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The ratings assigned to the bank facilities of Ratusaria Industries Private Limited (RIPL) derives comfort from long track record of the company, extensive experience of the promoter in the industry, locational advantage and improvement in profitability margins of the company albeit moderation in its revenue. However, these rating strengths are partially offset by RIPL's susceptibility of profitability to volatility in raw material prices, competitive pressure due to presence in highly fragmented steel industry, leveraged capital structure with comfortable debt protection metrics and exposure to cyclicality in steel industry.

The outlook is expected to remain stable in the near to medium term marked by long experience of the promoters and satisfactory demand of steel products.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of operation improvement in profitability on a sustained basis
- Improvement in the capital structure with overall gearing less than 1.5x and/or improvement in the debt protection metrics
- Efficient working capital management with improvement in liquidity

Downward Factors

- Dip in operating income and/or moderation in profitability impacting the debt coverage indicators on a sustained basis
- Withdrawal of subordinated unsecured loans and/or any unplanned debt funded capex leading to deterioration in the capital structure with moderation in the overall gearing to more than 3x
- Moderation in liquidity position

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters and long track record of the company

The main promoters of the company Mr. Bharat Bhushan Agarwal and Mr. Suresh Kumar Agarwal have more than four decades of experience in Iron and Steel industry. The company being incorporated in 2010 and having around 15 years of experience in the industry, has established a strong network with suppliers and customers.

Locational advantage

The manufacturing facilities of RIPL is in Raipur, Chhattisgarh which is known as a steel hub and is in close proximity to various manufacturers of billets & ingots, the main raw materials for manufacturing of its products. Accordingly, availability and sourcing of raw materials is not an issue for the company.

Improvement in profitability margins albeit moderation in revenue

The total operating income (TOI) of the company has grown at a CAGR of ~39% from Rs.107.93 crore in FY22 (A) [FY refers to the period between April 01 to March 31] to Rs.288.41 crore in FY25 (Prov.) with a y-o-y decline of ~4% in FY25 (P). The slight deterioration in revenue has been due to fall in steel prices, payments being put on hold by certain group of clients and tenders being deferred until the completion of Elections. However, the company showed improvement in profitability margins - EBITDA margin and PAT margin despite experiencing moderation in revenue in FY25 (Prov.). The operating margin of the company has improved over the past three fiscals due to sale of value-added products, effective cost management by the company and a declining trend in raw material prices. Despite marginal dip in topline, the EBITDA margin improved from 2.82% in FY23 (A) to 3.54% in FY24 (A) and further to 5.89% in FY25 (Prov.) on account of decline in raw material procurement expenses vis-à-vis TOI coupled with better absorption of fixed overhead. In line with EBITDA margin, PAT margin has also improved from 0.66% in FY24 (A) to 1.70% in FY25 (Prov.).

Key Rating Weaknesses

Susceptibility of profitability to volatility in raw material prices

The raw material costs accounts for a major portion of cost of sales of the company. RIPL procures its raw materials locally at spot prices. Any increase in raw material prices without commensurate increase in the prices of finished goods is likely to create pressure on margins.

Competitive pressure due to presence in highly fragmented steel industry

The steel industry is highly fragmented and comprises many organized and unorganized players due to locally available raw materials and low entry barriers. Further, the entities manufacture products with a little product differentiation which leads to price driven sales. However, offtake agreement with APL will provide competitive edge to the company.

Leveraged capital structure with comfortable debt protection metrics

The capital structure of the company marked by overall gearing and TOL/ATNW though improved yet remained leveraged at 2.78x and 3.53x respectively as on March 31,2025 (Prov.) [as against 2.79x and 3.76x respectively as on March 31, 2024 (Audited)]. The net worth of the company including subordinated unsecured loan amounting to Rs.14.75 crore stood at Rs.27.68 crore as on March 31, 2025 (Prov.). The debt protection metrics as indicated by interest coverage ratio, has improved and stood comfortable at 2.21x in FY25 (Prov.) [as against 1.78x in FY24 (A)]. The improvement in interest coverage was on account of improved EBITDA in FY25 (Prov.). Moreover, the Total debt to EBITDA and Total debt to NCA also remained moderate at as on 4.50x & 9.84x as on March 31,2025 (Prov.) as compared to 5.89x & 15.41x respectively as on March 31, 2024 (Audited).

Exposure to cyclicality in Steel Industry

The steel industry is highly cyclical. Steel prices fluctuate based on macro-economic factors, including, amongst others, consumer confidence, employment rates, interest rates and inflation rates, general levels of infrastructure activities in the region of sale, etc. Adverse volatility in steel prices will have an adverse effect on the firm’s performance in view of its direct linkage to the fortunes of Steel industry. However, the outlook for the steel industry in the short to medium term appears to be good as the steel prices have hardened in the recent past, coupled with robust demand in the domestic market.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria of assigning rating outlook

Policy of default recognition

Criteria – Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

RIPL has earned a gross cash accrual of Rs.7.76 crore in FY25 (Prov.). Further the company is expected to earn a gross cash accrual in the range of ~Rs.9.56-15.44 crore as against its debt repayment obligations in the range of ~Rs.4.07-2.26 crore during FY26-27. Accordingly, the liquidity position of the company is expected to remain adequate in the near to medium term. Further, the average working capital utilization of the company remained high at ~85% during the past 12 months ended April 2025 indicating limited liquidity cushion.

About the Company

Ratusaria Industries Private Limited (RIPL) was incorporated in April 2010 to manufacture flats, rounds, squares, rolled products and structural to cater infrastructure and industrial sector. The company is engaged in manufacturing of structural steel products like flats, rounds, angles, channels etc through its manufacturing facilities located at Raipur, Chhattisgarh with installed capacity of 60000 MTPA. The present directors of the company are Mr. Bharat Bhushan Agarwal, Mr. Suresh Kumar Agarwal, Mr. Deepak Agarwal, Mr. Raunak Agarwal and Mr. Rohit Agarwal.

Financials (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2024	31-03-2025
	Audited	Provisional
Total Operating Income	301.69	288.41
Total Income	301.78	288.45
EBITDA	10.68	16.99
PAT	2.00	4.89
Total Debt	62.93	76.40
Adjusted Tangible Net worth	22.55	27.44
EBITDA Margin (%)	3.54	5.89
PAT Margin (%)	0.66	1.70
Overall Gearing Ratio (x)	2.79	2.78
Interest Coverage Ratio (x)	1.78	2.21

**Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Nil

Any other information: None

Rating History for last three years:

Sr. No.	Name of Security/ Facilities	Current Rating (Year 2025-26)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23
					-	-	-
1	WCTL-GECL Extension	Long Term	0.58	IVR BBB-; Stable	-	-	-
2	WCTL	Long Term	12.48	IVR BBB-; Stable	-	-	-
3	WCDL	Long Term	6.00	IVR BBB-; Stable	-	-	-
4	Cash Credit	Long Term	54.00	IVR BBB-; Stable	-	-	-
5	Proposed	Long Term	11.41	IVR BBB-; Stable	-	-	-
6	Bank Guarantee	Short Term	5.50	IVR A3	-	-	-
7	DRUL	Short Term	4.00	IVR A3	-	-	-
8	Corporate Card	Short Term	0.03	IVR A3	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

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Annexure 1: Security/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
WCTL-GECL Extension	-	-	-	April 2030	0.58	IVR BBB-; Stable
WCTL	-	-	-		12.48	IVR BBB-; Stable
WCDL	-	-	-	-	6.00	IVR BBB-; Stable
Cash Credit	-	-	-	-	54.00	IVR BBB-; Stable
Proposed	-	-	-	-	11.41	IVR BBB-; Stable
Bank Guarantee	-	-	-	-	5.50	IVR A3
DRUL	-	-	-	-	4.00	IVR A3
Corporate Card	-	-	-	-	0.03	IVR A3

Annexure 2: Facility wise lender details:

https://www.infomerics.com/admin/prfiles/Len-Ratusaria-Industries-8may25.pdf

Annexure 3: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated /combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.