R.K. Steels

May 29, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	72.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Rating reaffirmed	Simple
Total	**72.00 (Rupees Seventy-Two 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 reaffirmation of the long-term rating assigned to the bank facilities of R.K. Steels (RKS) continues to derive comforts from long track record of operations coupled with experienced management and established relationships with reputed suppliers. The rating also factors in its healthy financial position characterized by conservative leverage, robust debt coverage, adequate liquidity and efficient working capital management. These strengths are partially offset by thin profitability margins, risk inherent in partnership firm with instances of capital withdrawn and intense competition and inherent cyclical nature of steel industry.

The outlook assigned on the long-term rating of RKS is Stable as it will continue to benefit from the extensive experience of the promoters coupled with adequate debt protection metrics and favourable industry outlook.

Key Rating Sensitivities:

Upward Factors

- Significant and sustained growth in scale of operations with improvement in profitability and cash accruals
- Improvement in the capital structure and debt protection metrics on a sustained basis
- Managing working capital requirement efficiently leading to improvement in the operating cycle with improvement in liquidity.

Downward Factors

- Decline in the revenue and/or profits leading to an overall deterioration in the financial risk profile of the firm
- Moderation in the capital structure and/ or coverage indicators
- Elongation in the operating cycle with moderation in liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Long track record of operations coupled with experienced management**

  Established in 1983, R.K. Steels has a long operational track record of more than four decades in the iron and steel industry. Further, the partners have more than four decades of experience in business of trading of flat and long steel products. The partners' experience, their strong understanding of local market dynamics, and healthy relations with suppliers and customers will benefit the firm going forward, resulting in steady growth in the scale of operations.

- **Established relationships with reputed suppliers**

  R.K. Steels has developed a strong relationship with its suppliers, which ensures regular supply of traded steel at discounted price. The major supplier of the firm are Steel Authority of India, JSW Steel, and Jindal Steel & Power Limited. The revenue of the firm remined almost similar at Rs. 727.56 Cr in FY2024 (refers to period April 1st, 2023, to Mar 31, 2024) from Rs.726.86 Cr in FY2023 (refers to period April 1st, 2022, to Mar 31, 2023) due to decline in average realizations of the products. Further, the firm has achieved topline of Rs.763.73 Cr in FY2025 (refers to period April 1st, 2024, to Mar 31, 2025) (Provisional).

- **Healthy financial risk profile supported by comfortable leverage structure**

  The capital structure of the firm remained comfortable with its satisfactory net worth base supported by its low reliance on external debt. The firm's tangible net worth witnessing steady growth on the back of increasing profit and healthy accretion of reserves and increased to Rs.69.87 Crore as on March 31, 2024, from Rs.68.41 Crore as on March 31, 2023. Further, the overall gearing of the firm stood comfortable at 0.76x on March 31, 2024, as against 0.67x as on March 31, 2023. Again, the overall indebtedness of the firm marked by TOL/TNW, which stood at 1.20x as on March 31, 2024as against 1.10x as on March 31, 2023. Again, the tangible net worth (TNW) of the firm stood at Rs.71.41 Cr in as on March 31, 2025 (Provisional), the overall gearing stood at 0.88x times and TOL/TNW stood at 1.22x times respectively in as on March 31, 2025 (Provisional). The debt protection metrics of the firm have stood comfortable marked by Interest Coverage Ratio at 1.85x as on March 31, 2024, and Debt Service Coverage Ratio at 1.59x as on March 31, 2024. However, the total debt/EBIDTA stood high at 6.47x as on March 31, 2024. Again, the Interest Coverage Ratio and Debt Service Coverage Ratio stood at 2.32x and 1.90x as on March 31, 2025 (Provisional) respectively. The financial risk profile of the firm will remain at similar level backed by steady accruals and no major debt funded capex plans in the medium term.

- **Efficient working capital management**

  The efficient working capital management of the firm is marked by operating cycle of 43 days as on 31st March 2024 similar as 31st March 2023. The comfortable operating cycle is primarily on account of low debtor period. The debtor period stood comfortable at 15 days on 31st March 2024 as compared to 16 days as on 31st March 2023. Further, the inventory levels stood low at 42 days as on 31st March 2024 as compared to 40 days as on 31st March 2023 owing to the nature of the industry. Again, the operating cycle stood comfortable at 44 days as on 31st March 2025 (Provisional). The debtor days stood comfortable at 15 days, and the inventory days stood at 42 days as on 31st March 2025 (Provisional). The working capital management of the firm will remain at similar levels over the medium term owing to the nature of the industry.

Key Rating Weaknesses

- **Thin profitability margin buoyed by decline in the steel prices**

  The profitability margin of the firm remained thin primarily attributable to low value additive trading nature of the business. The EBIDTA margin decreased to ~1.13% in FY2024 from ~1.53% in FY2023 mainly due to the decline in the steel prices. Further, the PAT margin also decreased and stood thin at 0.30% in FY2024 as compared to 0.56% in FY2023 . Again, the EBIDTA margin and PAT margin improved and stood at 1.90% and 0.69% respectively in FY2025 (Provisional). Going forward, the improvement in the profitability margins of the firm will be a key rating monitorable.

- **Risk inherent in partnership firm with instances of capital withdrawn**

Given the constitution as a partnership firm, it is exposed to the discrete risks including the possibility of withdrawal of capital by the partners and the inherent risk of dissolution of the firm upon death, retirement or insolvency of the partners.

- **Intense competition and inherent cyclical nature of the steel industry**
  The firm is exposed to intense competition in the steel sector due to the presence of a large number of unorganised players on account of low entry barriers with little technology intensity and limited differentiation in end products. Demand for steel products predominantly depends on the construction and infrastructure sectors. Thus, the firm's business risk profile is exposed to the inherent cyclicality in these sectors.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria of assigning rating outlook

Policy on default recognition

Complexity level of rated Instruments/Facilities

Liquidity– Adequate

The liquidity position of the firm is adequate. The gross cash accruals stood at Rs.2.64 Cr as on March 31, 20234 as against no such long-term debt repayment for the same period. The current ratio stood comfortable at 1.60x as on March 31, 2024, as compared to 1.64x as on March 31, 2023, however, the Quick ratio stood moderate at 0.43x as on March 31, 2024. The cash and bank balances of the firm stood at Rs. 0.06 Cr as on March 31, 2024. The average fund-based limit utilisation remains high at 68 per cent over the twelve months ended March 2025. There have been no instances of overdrawing. Furthermore, the net cash accruals stood sufficient at Rs.5.62 Cr in FY2025 (provisional) as against no such long-term debt repayment and the current ratio also stood comfortable at 1.50x in FY2025 (Provisional). Going forward, the firm is likely to maintain adequate liquidity position supported by steady accruals.

About the Firm

Established in 1983, R.K. Steels is a Jaipur based partnership firm with Mr. Kailash Chand Agarwal and Mr. Ramesh Chand Agarwal with equal profit-sharing ratio. Both the partners have over 40 years of experience in the iron and steel industry. The firm is engaged in business of trading of flat and long steel products (HR coils, sheets, plates, rounds, angels, beametc, etc.) across India and is an authorized distributor of long and flat steel products of Jindal Steel & Power Limited as well as TMT bars manufactured by JSW steels limited.

Financials (Standalone): **(Rs. crore)**

For the year ended/ As on*	31-03-2024	31-03-2025
	Audited	Provisional
Total Operating Income	727.56	763.73
EBITDA	8.21	14.50
PAT	2.18	5.25
Total Debt	53.17	62.66
Tangible Net Worth	69.87	71.41
EBITDA Margin (%)	1.13	1.90
PAT Margin (%)	0.30	0.69
Overall Gearing Ratio (x)	0.76	0.88
Interest Coverage (x)	1.85	2.32

** Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA:

ICRA continues to maintain the ratings of R.K. Steels in the Issuer Non-Cooperating category as the issuer remained non-cooperative as per the update dated May 16, 2025.

Brickwork Rating moved the ratings of R.K. Steels into the Issuer Non-Cooperating category on account of inadequate information and lack of management cooperation in the rating procedure despite repeated follow ups as per the Press Release dated July 12, 2024.

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Rating (Year 2025-26)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24		Date(s) & Rating(s) assigned in 2022-23
						(March 20, 2024)	(June 29, 2023)	
1.	Cash Credit	Long Term	42.00	IVR BBB-/ Stable	-	IVR BBB-/ Stable	IVR BBB-/ Stable	-
2.	Cash Credit e-DFS	Long Term	30.00	IVR BBB-/ Stable	-	IVR BBB-/ Stable	IVR BBB-/ Stable	-

Analytical Contacts:

Name: Kaustav Saha Tel: (033) 48033621 Email: kaustav.saha@infomerics.com	Name: Sandeep Khaitan Tel: (033) 48033621 Email: sandeep.khaitan@infomerics.com

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Annexure 1: Facility Details

Name of Facility	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	-	42.00	IVR BBB-/ Stable
Cash Credit e-DFS (JSW)	-	-	-	-	15.00	IVR BBB-/ Stable
Cash Credit e-DFS (JSPL)	-	-	-	-	15.00	IVR BBB-/ Stable

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-RKSteels-may25.pdf
Annexure 3: Detailed explanation of covenants of the rated Security/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.