Press Release

Rashi Steel and Power Limited

December 16, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Instruments/Facilities (Proposed)	20.00	IVR BBB/ Stable (IVR Triple B with Stable outlook)	IVR BBB/ Stable (IVR Triple B with Stable outlook)	Reaffirmed	Simple
Total	**20.00 (INR Twenty 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 rating assigned to the proposed bank facility of Rashi Steel and Power Limited (RSPL) continues to derive strength from extensive experience of its promoter in iron & steel industry and favourable location of the manufacturing plant. The rating also considers growth in scale of operations coupled with satisfactory financial risk profile marked by healthy net worth base leading to comfortable gearing and healthy debt protection metrics. However, these rating strengths remain constrained by exposure to high competition and cyclicality in the steel industry along with susceptibility of profitability to volatility in the prices of raw materials and finished goods.

The outlook continues to remain stable as RSPL's profits and accruals are likely to remain healthy, going forward, which would aid the company in keeping its credit metrics comfortable.

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of business with improvement in topline and profitability leading to rise in gross cash accruals on a sustained basis
- Improvement in debt protection metrics

Downward Factors

- Dip in operating income and/or moderation in profitability impacting the cash accruals and deterioration in debt protection metrics
- Deterioration in the capital structure with moderation in overall gearing ratio to above 1x

- Any significant rise in working capital intensity or unplanned capex leading to a deterioration in the liquidity position

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Extensive experience of the promoters in the steel industry**
  The company's current promoters have extensive experience of more than two decades in the steel industry, which enables it to carry out its operations efficiently. The company will continue to benefit from its promoters' extensive experience and their strong understanding of the market dynamics. Further, the promoter group has sound financial background to support the company in case of need.
- **Favourable location of plant**
  RSPL's manufacturing facility is located in Bilaspur, Chhattisgarh which is in close proximity to various steel plants, thus facilitates ready market for its finished products.
- **Growth in scale of operations**
  Total operating income (TOI) of the company has increased by ~10% on a y-o-y basis to Rs. 449.12 crore in FY24 [FY refers to the period from April 1 to March 31] mainly driven by increase in sales volume of iron ore pellets. Besides, the company has also generated revenue of Rs. 16.05 crore from sale of washed coal from coal washery during FY24. However, operating profit margin of the company was impacted in FY24 due to discontinuation of high margin job work business and increase in fixed overhead cost arising from coal washery unit which started operations in November 2023. Consequently, PBT declined from Rs.26.70 crore in FY23 to Rs. 8.84 crore in FY24. However, PAT has increased from Rs.2.80 crore in FY23 to Rs.11.82 crore due to deferred tax adjustments. Due to dip in profitability, net cash accruals have also dampened from Rs. 29.62 crore in FY23 to Rs.18.25 crore in FY24. The recent and ongoing capex (funded through internal accruals) is expected to drive revenue and profitability growth. Till November 2024, the company has achieved revenues of ~Rs. 411 crores.
- **Satisfactory financial risk profile marked by comfortable gearing and healthy debt protection metrics**
  The company has a satisfactory financial risk profile marked by its healthy net worth base and satisfactory leverage ratios. The overall gearing continues to remain comfortable at 0.22x as on March 31, 2024 as against 0.03x as on March 31, 2023. Moreover, Total indebtedness of

the company as reflected by TOL/ATNW also stood comfortable at 0.42x as on March 31, 2024. The debt protection metrics as indicated by interest coverage ratio and Total debt/GCA remained healthy at 13.44x in FY24 and 3.07 years as on March 31,2024 respectively. Infomerics ratings expects the capital structure and debt protection metrics of the company to remain comfortable in the near term with no debt funded capex plans.

Key Rating Weaknesses

- **Susceptibility of profitability to volatility in the prices of raw materials and finished goods**
  Major raw-materials required are iron-ore fines and coal for manufacturing of pellets. Raw materials accounted for ~79%-83% of total cost of production in the last three fiscals. The company lacks backward integration for its basic raw-materials i.e iron ore fines and has to procure the maximum requirement from open market. Since the raw material is the major cost driver and the prices of which are volatile in nature, the profitability of the company is susceptible to fluctuation in raw-material prices. On the other hand, the finished goods are also volatile and dependent upon economic cycles and global demand supply scenarios.
- **Exposure to high competition and cyclicality in the steel industry**
  The company faces stiff competition from not only established players, but also from the unorganised sector. Besides, the steel industry is cyclical in nature and witnessed prolonged periods where it faced a downturn due to excess capacity leading to a downtrend in the prices. However, the outlook for the steel industry in the short to medium term appears to be good with expected robust demand in the domestic markets driven by various government initiatives and expected improvement in the infrastructure and real estate sector.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies.
Financial Ratios & Interpretation (Non-Financial Sector).
Criteria for assigning Rating outlook.
Policy on Default Recognition
Complexity Level of Rated Instruments/Facilities

Liquidity – Strong

The liquidity position of the company is expected to remain strong in the near to medium term marked by adequate cushion in expected accruals of Rs.32-Rs.45 crore as against its minimal debt repayment obligations during FY25-27. In FY24, the company has generated a gross cash accrual of Rs.18.25 crore. Moreover, the company has healthy gearing headroom marked by its comfortable gearing ratio. Further, the promoter group has sound financial background to support the company in case of need.

About the Company

Incorporated on August 28, 2009, Rashi Steel and Power Limited (RSPL) is a Bilaspur, Chhattisgarh based company engaged in manufacturing of pellets with an annual capacity of 4,00,000 tonnes. In FY24, the company installed a coal washery plant with an annual capacity of 3,50,000 tonnes. In August 2020, the previous management of the company was taken over by Mr. Nimish Gadodia, Chairman of Navdurga Group and Mr. Rohit Agrawal of B R Sponge & Power Ltd.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	408.05	449.12
EBITDA	34.89	20.00
PAT	2.80	11.82
Total Debt	6.72	56.05
Tangible Net Worth	239.60	251.20
EBITDA Margin (%)	8.55	4.45
PAT Margin (%)	0.68	2.62
Overall Gearing Ratio (x)	0.03	0.22
Interest Coverage (x)	218.04	13.44

* *Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument /Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					Sep 27, 2023	**-**	**-**
1	Cash Credit (Proposed)	Long Term	20.00	IVR BBB/ Stable	IVR BBB/ Stable	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) 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).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit (Proposed)	-	-	-	-	20.00	IVR BBB/ Stable

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-RashiSteel-dec24.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.