



## Press Release

### Rattan Ispat Private Limited

July 17, 2024

#### Ratings

Security/ Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Facilities	37.72 (Reduced from Rs. 42.83 crore)	IVR BBB-; Stable (IVR Triple B minus with Stable Outlook)	IVR BBB-; Stable (IVR Triple B minus with Stable Outlook)	Reaffirmed	Simple
Long Term Facilities	116.62	IVR BBB-; Stable (IVR Triple B minus with Stable Outlook)	-	Assigned	Simple
Short Term Facilities	17.90 (Including Proposed limit of 0.45 crore)	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	Reaffirmed	Simple
Short Term Facilities - Proposed	0.49	IVR A3 (IVR A Three)	-	Assigned	Simple
<b>Total</b>	<b>172.73</b> <b>(Rs. One Hundred</b> <b>Seventy-Two Crore and</b> <b>Seventy-Three Lakhs</b> <b>Only)</b>				

**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 assignment and reaffirmation of the ratings to the bank facilities of Rattan Ispat Private Limited (RIPL) continues to derive comfort from long track record in the iron and steel industry under experienced promoters, improvement in scale of operation in FY 2023(A) [FY refers to the period from April 1 to March 31] and subsequently in FY 2024 (Provisional). Further the ratings also factor in company's prudent working capital management. However, these rating strengths remain constrained due to its moderate capital structure and moderate debt protection metrics, exposure to project risk, susceptibility of operating margin to volatility in raw material prices and finished goods, exposure to intense competition and cyclical nature of the industry. The stable outlook reflects expected stable business performance of the company in the near to medium term.



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### Key Rating Sensitivities:

#### Upward Factors

- Growth in scale of operations with improvement in profitability with consequent improvement in gross cash accruals
- Improvement in the capital structure with improvement in the debt protection metrics.

#### Downward Factors

- Sustained moderation in scale of operations with moderation in profitability impacting the debt coverage indicators
- Moderation in working capital cycle impacting the liquidity profile of the company.
- Moderation in the capital structure with moderation in overall gearing to over 1.5x

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Experienced Promoters with long track record in the iron and steel industry.**  
RIPL has an operational track record of over one and half decades within the steel industry. Long-standing nearness within the industry has made a difference for the Company to set up sound connections with both clients and suppliers. The company too benefits from its experienced promoters within the steel industry. Mr. Rohit Agarwal and Mr. Gautam Agarwal have around two decades of experience in the industry.
- **Improvement in scale of operation in FY2023(A) and subsequently in FY 2024 (Prov.)**  
The total operating income (TOI) of the company witnessed healthy growth over the past fiscal year from Rs.338.30 crore in FY23(A) to Rs. 633.46 crore in FY24 (Prov.) driven by improvement in sales volume and favorable demand for M.S. Billets. With increase in TOI, absolute EBDITA increased from Rs. 10.18 crore in FY23 (A) to Rs.13.08 crore in FY 24 (Prov.). However, the operating margin and PAT margin moderated from 3.01% and 0.82% respectively in FY23 (A) to 2.06% and 0.77% respectively in FY24 (Prov.). due to increase in raw materials cost along with power and fuel cost.
- **Prudent working capital management.**  
The operating cycle of the company stood improved at 11 days in FY24 (Prov.) [17days in FY 23]. The operating cycle is low on account of low inventory days and debtor days and creditor days.

#### Key Rating Weaknesses



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- **Moderate capital structure and moderate debt protection metrics.**

The capital structure of the company though continues to remain satisfactory moderated marked by moderation in long term debt equity ratio to 0.97x as on March 31, 2024 (Prov.), as against 0.77x as on March 31, 2023, and overall gearing ratio to 1.61x as on March 31, 2024 (Prov.) from 1.01x as on March 31, 2023, due to increase in working capital borrowing and availment of unsecured loan from director / promoters. The total indebtedness as reflected by TOL/ATNW moderated to 2.15x as on March 31, 2024. [1.72x as on March 31, 2023]. The debt coverage indicators stood comfortable with ICR of 2.83x in FY2024 (Prov.) (2.12x in FY2023). Furthermore, Total debt/EBITDA and Total debt to NCA also continues to be stood satisfactory at 4.14x and 6.89 years respectively as on March 31, 2024 (Prov.) (4.10x and 6.64 years respectively as on March 31, 2023]. The capital structure is also expected to remain moderate in the projected period.

- **Exposure to project risk**

RIPL is planning to set up a TMT rolling mill plant with a capacity of 240000MTPA. The project is expected to be start from October 2024 and completed by December 2025, with commercial production set to begin in January 2026. The total project cost is Rs.110.60 crore, with Rs. 82.95 crore financed through bank loans and the remaining Rs. 27.65 crore financed through promoters' contribution and internal accrual. Out of the total term loan, Rs. 42.95 crore has been sanctioned by Punjab National Bank with a moratorium of two quarters post completion of project.

- **Susceptibility of operating margin to volatility in raw material prices and finished goods**

Since the raw material is the major cost driver and with raw material prices being volatile in nature, the profit margins of the company remain susceptible to fluctuation in raw material prices (though the prices of finished goods move in tandem with raw material prices, there is a time lag). Further, finished steel prices are also highly volatile and prone to fluctuations based on global demand supply situations and other macro-economic factors.

- **Cyclical nature of industry.**

The domestic steel industry is highly cyclical in nature and has witnessed prolonged periods of downturn due to excess capacity leading to a downtrend in the prices. Further, the company's operations are vulnerable to any adverse change in the global demand-supply dynamics.



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- **Exposure to intense competition**

The steel manufacturing business is characterized by intense competition across the value chain due to low product differentiation, and consequent intense competition, which limits the pricing flexibility of the players, including RIPL.

**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 – Adequate**

The liquidity profile of the company is expected to remain adequate marked by sufficient cash accruals vis-à-vis its debt repayment obligation. Further, the company has efficient working capital management as reflected in its operating cycle of 11 days in FY24 (Provisional) and low average utilization in its working capital limits at ~55% in the past 12 months ended April 2024.

**About the Company**

Incorporated in 2004, Rattan Ispat Private Limited (RIPL) was earlier engaged in the manufacturing of MS ingots having installed capacity of 27200 MTPA. Currently its manufacturers MS Billets and is involved in the trading of finished steel products such as TMT, coil, wire rod, section, angle and pipes. The installed capacity of the billet unit is 192000 MTPA from July 2022. The manufacturing facility of the Company is located at District Bankura, West Bengal.

**Financials (Standalone):**

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	338.30	633.46
EBITDA	10.18	13.08
PAT	2.78	4.86
Total Debt	41.68	54.16
Tangible Net Worth	28.42	33.64



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EBITDA Margin (%)	3.01	2.06
PAT Margin (%)	0.82	0.77
Overall Gearing Ratio (x)	1.01	1.61
Interest Coverage (x)	2.12	2.83

\* 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 Security/Facilities	Current Ratings (Year 2024-2025)			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
					May 22, 2023	May 08, 2023	-	Feb 09, 2022
1.	Term Loan / GECL	LT	26.39	IVR BBB-; Stable	IVR BBB-; Stable	IVR BBB-; Stable	-	IVR BBB-; Stable
2.	Term Loan	LT	42.95	IVR BBB-; Stable	-	-	-	-
3.	Term Loan - Proposed	LT	40.00	IVR BBB-; Stable	-	-	-	-
4.	Cash Credit	LT	28.00	IVR BBB-; Stable	IVR BBB-; Stable	IVR BBB-; Stable	-	IVR BBB-; Stable
5.	Cash Credit - Proposed	LT	17.00	IVR BBB-; Stable	-	-	-	-
6.	Bank Guarantee	ST	17.45	IVR A3	IVR A3	IVR A3	-	IVR A3
7.	Bank Guarantee - Proposed	ST	0.94	IVR A3	IVR A3	IVR A3	-	-

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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





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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.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit [www.infomerics.com](http://www.infomerics.com).

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### Annexure 1: Instrument/Facility Details



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Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan/GECL	-	-	-	March 2028	26.39	IVR BBB-; Stable
Term Loan	-	-	-	March 2032	42.95	IVR BBB-; Stable
Term Loan – Proposed	-	-	-	-	40.00	IVR BBB-; Stable
Cash Credit	-	-	-	-	28.00	IVR BBB-; Stable
Cash Credit – Proposed	-	-	-	-	17.00	IVR BBB-; Stable
Bank Guarantee	-	-	-	-	17.45	IVR A3
Bank Guarantee – Proposed	-	-	-	-	0.94	IVR A3

### **Annexure 2: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/len-Rattan-Ispat-july24.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](http://www.infomerics.com).