



Press Release

Renny Strips Private Limited (RSPL)

April 03, 2024

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Bank Facilities	160.06 (Enhanced from 105.45)	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	Reaffirmed/ Assigned	Simple
Short Term Non-Fund Based Bank Facilities	13.36 (Enhanced from 8.06)	IVR A3+ (IVR A Three Plus)	Reaffirmed/ Assigned	Simple
Total	173.42 (Rupees One Hundred & seventy-three crore and forty-two lakh only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation in the ratings assigned to the bank facilities of Renny Strips Private Limited (RSPL) takes into account stable growth in scale of operations with moderate profitability. The ratings further continues to derive strength from the extensive experience of the promoters in the steel industry, moderate financial risk profile and efficient working capital cycle. The ratings are, however, constrained by risks associated with volatility in the raw material prices, intense competition, and cyclicalities in the steel industry.

The withdrawal of the rating assigned to the standby line of credit takes into account the closure of the limits by the bank along with the subsequent request received from the company for withdrawal of rating. The rating is withdrawn in line with Infomerics' policy on withdrawal.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained improvement in revenue & profitability leading to overall improvement in debt protection metrics.

Downward Factors

- Any decline in revenue and/or profitability impacting the debt protection metrics or liquidity.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive experience of the promoters in the steel industry.

RSPL was started by Mr. Dev Raj Gupta, who is the father of the current promoter and Managing Director of RSPL, Mr. Binny Gupta. Mr. Dev Raj Gupta has a long experience of 41 years in the steel industry. Mr. Binny Gupta has an experience of more than 24 years in the industry. He looks after the overall operations of the company. His wife, Mrs. Chetna Gupta, is the other promoter of the company with an experience of more than 7 years in the steel industry; she looks after the administration and accounts of RSPL. RSPL benefits from the long experience of its promoters in the industry, which has helped it develop strong relationship with the customers and suppliers. The company has a team of experienced professionals, having close to two decades of experience in their respective fields.

Stable growth in scale of operations.

The total operating income of the company registered a CAGR of 51.84 during FY21-FY23 along with a y-o-y growth of 72.43% in FY23. The increase was mainly due to increase in sales realisation and due to capacity enhancement (63360 MTPA to 182160 MTPA), thereby expanding, the company's product portfolio to include wire rods, billets, HR coils, pipes, and scrap folding. The significant increase in installed capacity will lead to economies of scale.

The overall operating income in FY23 stood at Rs 533.38 Crore as compared to Rs 311.11 Crore in FY22. The company has achieved total revenues of Rs 815.86 Crore for FY24 till February end 2024.



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Moderate profitability.

The company's EBITDA margin stood at 3.53% in FY23 (FY22: 4.30%), where the EBITDA margin has marginally reduced. In FY23, there was a significant uptick in turnover, approximately by 72% where the Company managed to penetrate the market by favourable discount policy to its customer. The company registered its PAT margin at 1.80% compared to 2.48% in FY22. RSPL's GCA has improved in FY21-23. The company's profitability margin has experienced a slight impact due to the introduction of new products in the market there has been slight increase in cost of production, additionally discounted products employed to establish market presence influenced margins. During 10MFY24 results the company has registered EBITDA and PAT margin of 3.76% and 1.39% respectively.

Moderate financial risk profile.

Financial risk profile of the company is healthy marked by moderate capital structure and debt protection metrics. As RSPL had commissioned a capex which was majorly funded by way of debt. The company initiated to expand its capacity, subsequently in May 2023, the company commenced operations of a 4i strip mill. Notably, the company has completed installation of the pipe mill in March 2024, consisting of three units while one unit has commenced operations, the remaining two units are scheduled to start operating by May 2024 (The capex was funded by way of Term loan of Rs 17.50 crore, Equity Infusion of Rs 7.00 crore, unsecured loan of Rs 3.35 crore). Post commissioning and operationalisation the overall capacity will stand at 302160 MTPA from 182160 MTPA. As such its capital structure has deteriorated slightly with overall gearing and TOL/ TNW from 1.05x and 1.49x respectively as on March 31, 2022, to 1.45x and 1.76x respectively as on March 31, 2023, but continues to be healthy. The promoters have been regularly infusing funds by way of unsecured loans which are subordinated to the bank debt, which keeps the networth at comfortable levels. The debt protection metrics also remained healthy with interest coverage ratio and Total debt/ GCA ratio of 3.01x and 7.73x respectively in FY23 as against 5.18x and 6.34x respectively in FY22.



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Efficient working capital cycle

The company's working capital cycle is efficient marked by its operating cycle of around 48 days in FY23 (FY22: 50 days). RSPL maintains an average inventory of around 29 to 34 days of various varieties and grades for smooth running of operations. It generally extends credit of 7- 35 days to its customers and gets 10 days credit from its suppliers. Accordingly, its average collection period continued to remain comfortable at 26 days in FY23 (FY22: 27 days).

Key Rating Weaknesses

Risks associated with volatility in the raw material prices.

The degree of backward integration defines the ability of the company to withstand cyclical downturns generally witnessed in the steel industry. The major raw material used in the production of billets and wire rods is steel scrap. The company does not have any long-term agreement for procurement of steel scrap and procures most of the scrap requirement from the spot market (domestic or international depending on pricing), thus exposing it to the volatility in the raw material price. Further, the finished steel prices are also highly volatile and prone to fluctuations based on global demand-supply situations and other macro-economic factors, which leaves its profitability highly susceptible to the price volatility.

Intense competition

The steel manufacturing industry is characterised 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 RSPL.

Cyclicality in the steel 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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Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria for complexity level of rated instruments/Facilities](#)

[Criteria for Policy on Default Recognition](#)

[Criteria of assigning Rating Outlook](#)

[Criteria on withdrawal on ratings](#)

Liquidity: Adequate

RSPL's liquidity position remained adequate marked by current ratio of 1.28x as on March 31, 2023. The GCA has also improved from Rs 9.06 crore in FY22 to Rs 13.86 crore in FY23. The company's cash accruals are sufficient to meet its repayments in FY24-25. The average utilisation of its working capital facilities is 87.00% in the 12 months ended December 2023, giving it sufficient headroom. The cash and bank balance stood at Rs 0.17 crore as on March 31, 2023. The operating cycle of the entity is 48 days in FY23 in comparison to 50 days in FY22.

About the company

Incorporated in 1996 by Mr. Binny Gupta RSPL is engaged in manufacturing a wide range of steel round coil/ wire rods, billets, fasteners, scaffolding, and thread bars, the company has expanded their product portfolio in 2023 which also include HR coils and pipes. Its plant is situated at Village Mangarh, Ludhiana. The plant includes three furnace units, an automatic rolling mill unit and a strip unit. Currently, The company installed capacity stands at 182160 MTPA.



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Financials (Standalone):

(Rs. crore)

For the year ended / As On*	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	311.11	533.38
EBITDA	13.37	18.81
PAT	7.73	9.66
Total Debt	57.42	107.10
Tangible Networkth	54.62	73.65
Ratios		
EBITDA Margin (%)	4.30	3.53
PAT Margin (%)	2.48	1.80
Overall Gearing Ratio	1.05	1.45

*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 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 (April 10, 2023)	Date(s) & Rating(s) assigned in 2022-23 (December 27, 2022)	Date(s) & Rating(s) assigned in 2021-22 (January 8, 2022)
1.	Term Loan	Long Term	65.56	IVR BBB/ Stable	IVR BBB/ Stable	IVR BBB/ Stable	IVR BBB-/ Stable
2.	Cash Credit	Long Term	94.50	IVR BBB/ Stable	IVR BBB/ Stable	IVR BBB/ Stable	IVR BBB-/ Stable
3.	Bank Guarantee	Short Term	2.50	IVR A3+	IVR A3+	IVR A3+	IVR A3
4.	Psr/ Forward Contract/ Derivative limit/ CEL	Short Term	10.86	IVR A3+	IVR A3+	IVR A3+	IVR A3
5.	Standby Line of Credit*	Short Term	--	--	IVR A3+	-	-

* Withdrawn as the limit has been closed.



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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.

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.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Term Loan	-	-	Upto January 2033	65.56	IVR BBB/ Stable
Cash Credit	-	-	Revolving	94.50	IVR BBB/ Stable
Bank Guarantee	-	-	Revolving	2.50	IVR A3+
Psr/ Forward Contract/ Derivative limit/ CEL	-	-	Revolving	10.86	IVR A3+

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-RennyStrips-apr24.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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.