



Press Release

Shree Ramdoot Rollers Private Limited

October 29, 2021

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action
Long term Bank Facilities - Cash Credit	62.00 (enhanced from Rs.9.00 & including proposed limit of 39.00)	IVR BBB- /Stable(IVR Triple B Minus with Stable Outlook)	Reaffirmed
Long term Bank Facilities – Term Loan	30.00 (proposed)	IVR BBB- /Stable (IVR Triple B Minus with Stable Outlook)	Assigned
Short term Bank Facilities- Bank Guarantee	18.00 (enhanced from Rs.1.00 & including proposed limit of 12.00)	IVR A3 (IVR A Three)	Reaffirmed
Total	110.00 (One hundred and Ten Crore Only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of ratings assigned to the bank facilities of Shree Ramdoot Rollers Pvt Ltd (SRRPL) considers the common promoters and operational & financial linkages between Shree Ramdoot Rollers Pvt Ltd (SRRPL) and its group concern, Rajshri Iron Industries Pvt Ltd. Infomerics has taken a consolidated view of these entities referred together as Rajshri Group. The ratings continues to derive comfort from established track record of the group and longstanding experience of the promoters in iron & steel Industry, locational advantage and synergy benefits between the companies. Further, the ratings also consider satisfactory financial risk profile of the Rajshri group marked by satisfactory gearing ratios and satisfactory debt protection metrics. However, these rating strengths remain constrained due to project stabilisation risk in SRRPL, susceptibility of profitability due to price volatility, presence in highly fragmented industry with low bargaining power due to presence of many established players and exposure to cyclical nature of steel industry.

Key Rating Sensitivities



Press Release

Upward Rating Factor

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis
- Improvement in the capital structure with improvement in debt protection metrics
- Effective working capital management with improvement in operating cycle and liquidity

Downward Rating Factor

- Decline in operating income and/or profitability impacting the cash accrual and debt coverage indicators,
- Higher than-envisaged debt-funded capex and/or delays in implementation/ stabilisation of ongoing project
- Withdrawal of subordinated unsecured loans leading to deterioration in the capital structure with overall gearing deteriorated to over 1.5x

Detailed description of the key rating drivers

Key Rating Strengths

- **Experienced promoters**

The promoters of the Rajshri group have more than three decades of experience in the iron and steel industry and actively manage the group's operations. Further, the promoters have also supported the group by infusing subordinated unsecured loans as and when required to support the business operations.

- **Synergy benefits**

RIIPL manufactures sponge iron and SRRPL is engaged in manufacturing of ingots and billets. Sponge iron is the major raw material for SRRPL. Hence, the operation of the Rajshri group benefits from interlinked operation of the group companies which support the business risk profile of the group to a large extent.

- **Locational advantage**

The manufacturing facilities of the Rajshri group are located in Burdaman and Bankura district of West Bengal which is known as steel hub and is in close proximity to various



Press Release

manufacturers of sponge iron, pig iron and iron scrap. Further, sourcing of iron ore from Odisha and coal from nearby coal mines is not an issue. Presence in steel belt reduces the business risk to an extent.

- **Satisfactory financial risk profile marked by satisfactory gearing ratios and satisfactory debt protection metrics**

The financial risk profile of the Rajshri group remained moderate till FY20 and witnessed steady improvement in FY21. During FY21, the promoters have infused subordinated unsecured loans SRRPL to start its operations aggregating to Rs.22.50 crore. Beside they have also infused unsecured loans aggregating to ~Rs.12 crore (treated as neither debt nor equity) to support the operations. The adjusted tangible net worth of Rajshri group including subordinated unsecured loans stood satisfactory at Rs.57.62 crore (after adjusting investments in other group companies aggregating to Rs.6.10 crore) as on March 31, 2021 (Rs.29.57 crore as on March 31,2020). Infusion of funds in the group coupled with scheduled repayment of term debts and lower utilisation of bank borrowings as on the account closing date resulted in sharp improvement in the leverage ratios of the group. The debt equity ratio and overall gearing ratio stood satisfactory at 0.23x and 0.33x respectively as on March 31,2021. Total indebtedness of the group also remained comfortable marked by TOL/ATNW at 0.90x as on March 31,2021 as against 2.22x as on March 31, 2020. The debt protection metrics of the group witnessed sharp improvement in FY21 driven by steady improvement in profitability, cash accruals and infusion of funds by the promoters.

Key Rating Weaknesses

- **Project stabilisation risk in SRRPL**

The company is in the process of expanding its capacity by setting up two Induction Furnaces of 20 MT each and Rolling Mill of 148800 MT in addition to the existing 2 Nos of Induction Furnace of 8 MT each already in operation at an envisaged cost of Rs.91.89 crore including margin for working capital requirement of Rs. 29.09 crore (to be funded by term loan of Rs.30 crore (not yet tied up, applied already) and Rs.61.89 crore by promoter's contribution). With the above investment the installed capacity of the induction furnace will go up from 51700 MTPA to 181100 MTPA. Out of Rs.61.89 crore the promoters have already infused Rs.22.50 crore by way of issuing equity share capital and Rs.7.5 crore by



Press Release

way of unsecured loan. The company is expecting that the capex work will be completed by December 2021.

- **Susceptibility of profitability due to price volatility**

The price of iron ore/ coal which are the main raw materials and finished steel products prices are highly volatile in nature. The group is exposed to the risk of price volatility from the time of procurement of the product till sale of the same. This also exposes the risk of the group's growth and profitability.

- **Presence in highly fragmented industry with low bargaining power**

The iron and steel industry is highly fragmented and competitive with the presence of large number of organised and unorganised players. Intense industry competition coupled with commoditised nature of the products limits the company's pricing flexibility and bargaining power.

- **Cyclical in the steel industry**

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. However, any adverse fluctuations in the prices of finished products or any downturn in the steel sector may impact the group adversely.

Analytical Approach: Consolidated. Infomerics has combined the business and financial risk profiles of Shree Ramdoot Rollers Pvt. Ltd & Rajshri Iron Industries Pvt Ltd , collectively referred to as Rajshri group hereafter. This is because these companies are under control of same promoters with common directors and have business & financial linkages. Further, SRRPL holds 24.95% shares of RI IPL. List of entities considered for consolidated analysis is in **Annexure 3**.

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity Position: Adequate



Press Release

The liquidity of the group is expected to remain adequate marked by its expected healthy cash accruals vis-à-vis its low debt repayment obligation in the near term. The group has projected to earn gross cash accruals in the range of ~Rs.13-37 crore as against its projected debt repayment obligation in the range of ~Rs.0.33-6 crore during FY22-24. Further, the group has adequate gearing headroom backed by its comfortable capital structure.

About the Company and the group

West Bengal-based, Shree Ramdoot Rollers Pvt. Ltd incorporated in April 2008, (SRRPL, erstwhile Magnum Tradelink Pvt Ltd) was promoted by Mr. Praveen Todi. SRRPL was previously engaged in trading of iron & steel products. Thereafter, it has acquired SMS Plant including factory land admeasuring ~6.85 acres along with factory building, sheds and Plant & Machinery of M/s. Capricorn Ispat Udyog Private Limited through bid process held by State Bank of India in August, 2018. SRRPL has commenced manufacturing of SMS- MS Billets/ Ingots with existing annual installed capacity of 51700 MT from June 2020. Sponge iron is a major raw material for manufacturing of billet. Hence, presence of sponge iron plant in RI IPL operates as backward integration for SRRPL which is engaged in manufacturing of billets. The Company is selling the finished goods (MS Billet & Ingot) into the local market as well as export to some neighbouring countries such as Nepal, Bangladesh.

Incorporated in October 2004, West Bengal-based, Rajshri Iron Industries Pvt Ltd (RI IPL), was promoted by one Sharma family and one Todi family. Mr. Mahendra Sharma, Mr Abhishek Sharma, Mr. Anup Todi and Mr. Praveen Todi are the present directors. The company commenced its operations in Jamuria Industrial Area (Burdwan) from March 23, 2009 and is majorly engaged in manufacturing of Sponge Iron. The company has an installed capacity of 60000 metric tonne per annum (MTPA) for sponge iron.

Financials (Combined)

(Rs. crore)

For the year ended* / As On	31-03-2020	31-03-2021
	Combined	Combined
Total Operating Income	59.85	209.55
EBITDA	3.27	12.91
PAT	1.43	5.55
Total Debt	50.28	18.88
Tangible Net worth	35.67	41.22
Adjusted Tangible Net worth	29.57	57.62



Press Release

For the year ended* / As On	31-03-2020	31-03-2021
EBITDA Margin (%)	5.46	6.16
PAT Margin (%)	2.31	2.64
Overall Gearing Ratio (x)	1.70	0.33
Interest Coverage Ratio (x)	1.65	6.02

*Classification as per Infomerics' standards.

Financials (Standalone)	(Rs. crore)	
For the year ended* / As On	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	0.08	129.81
EBITDA	-0.08	5.14
PAT	-	2.76
Total Debt	12.97	0.16
Tangible Net worth	12.24	15.00
Adjusted Tangible Net worth**	0.97	26.23
EBITDA Margin (%)	-112.75	3.96
PAT Margin (%)	-2.27	2.12
Overall Gearing Ratio (x)	1.06	-
Interest Coverage Ratio (x)	-	14.85

*Classification as per Infomerics' standards.

** After adjusting investment in group companies.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2021-22)				Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings		Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Cash Credit	Long Term	62.00 (enhanced from Rs.9.00 & including proposed limit of	IVR BBB-/Stable	IVR BBB-/Stable (October 18,2021)	-	-	-



Press Release

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2021-22)				Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings		Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
			39.00)					
2.	Term Loan	Long Term	30.00 (proposed)	IVR BBB-/Stable	IVR BBB-/Stable (October 18,2021)			
3.	Bank Guarantee	Short Term	18.00 (enhanced from Rs.1.00 & including proposed limit of 12.00)	IVR A3	IVR A3 (October 18,2021)	-	-	-

Name and Contact Details of the Rating Analyst:

Name: Mr. Rahul Kumar Shaw	Name: Mr. Avik Podder
Tel: (033) 46022266	Tel: (033) 46022266
Email: rahul.shaw@infomerics.com	Email: apodder@infomerics.com

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any



Press Release

point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	23.00	IVR BBB-/Stable
Cash Credit – Proposed	-	-	-	39.00	IVR BBB-/Stable
Term Loan – Proposed	-	-	-	30.00	IVR BBB-/Stable
Bank Guarantee	-	-	-	6.00	IVR A3
Bank Guarantee – Proposed	-	-	-	12.00	IVR A3
Total				110.00	

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Shree-Ramdoot-lenders-29oct.pdf>

Annexure 3: List of companies considered for consolidated analysis

Sl. No.	Name of the entities	Consolidation Approach
1.	Rajshri Iron Industries Pvt Ltd	Full Consolidation
2.	Shree Ramdoot Rollers Pvt Ltd	Full Consolidation

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 4: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Cash Credit	Simple
2.	Bank Guarantee	Simple

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.