



Press Release

Shree Ramdoot Metloys Private Limited

October 10, 2023

Ratings Facilities	Amount (Rs. crore)	Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facility	54.00	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Assigned	Simple
Short Term Bank Facility	31.00	IVR A4+ (IVR A Four Plus)	Assigned	Simple
Total	85.00 Rupees Eighty-Five Crore Only			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Shree Ramdoot Metloys Private Limited (SRMPL) considers the extensive experience of the promoters in iron and steel industry, locational advantage due to proximity of its plants to various steel manufacturers and its moderate capital structure. However, these rating strengths are partially offset by SRMPL's nascent stage of operation along with susceptibility of profitability due to volatility in prices of its raw materials and finished stocks, its presence in highly fragmented industry with low bargaining power and exposure to cyclical nature of steel industry.

Key Rating Sensitivities:

Upward Factors

- 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 Factors

- Decline in operating income and/or profitability impacting the cash accrual and debt coverage indicators,
- Withdrawal of subordinated unsecured loans leading to deterioration in the capital structure with overall gearing deteriorated to over 2x.

List of Key Rating Drivers with Detailed Description



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Key Rating Strengths

Experienced promoters

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

Locational advantage

The manufacturing facility of SRMPL is in Salanpur district of West Bengal near Asansol which is known as steel hub and is near various steel manufacturers. The presence in steel belt reduces the business risk to an extent.

Moderate capital structure

The capital structure of the company includes subordinated unsecured loans from the promoters amounting to Rs.11.66 crore treated as quasi equity. The leverage ratios including quasi equity marked by overall gearing ratio and TOL/TNW (including quasi equity) ratio stood at 1.64x and 2.36x respectively as on March 31,2023. Infomerics expects gradual improvement in the leverage ratios with repayment of term loans and accretion of profit to net worth underpinned by improvement in its business performance.

Key Rating Weaknesses

Nascent stage of operation

Being started from February 2023, the company is in nascent stage of its operation. However, in its first two months of operation the company had achieved a revenue of Rs.18.59 crore. Furthermore, in Q1FY24 the company has achieved a revenue of ~Rs.46.75 crore as a result of high-volume sales of Silico Manganese

Susceptibility of profitability due to price volatility in raw materials and finished goods

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

Presence in highly fragmented industry and 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



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commoditised nature of the products limits the company's pricing flexibility and bargaining power.

Exposure to 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 company adversely.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of assigning rating outlook](#)

Liquidity – Adequate

The liquidity position of the company is expected to remain comfortable marked by its expected adequate gross cash accruals against its debt repayment obligations during FY24-FY26. Further, the current ratio stood comfortable at 1.33 times as on 31st March 2023 and average working capital utilisation of the company in the past 5 months ended in May 2023 remained satisfactory at ~53% indicating an adequate liquidity buffer.

About the Company

West Bengal based Shree Ramdoot Metloys Private Limited (SRMPL) was incorporated on May 27, 2022. The Company has been set up with the objective to carry on business of manufacturing of Ferro Alloy and its related products. At Present the company is operating two 9 MVA Ferro Alloy Furnace (Silico Manganese & Ferro Manganese) with annual production capacity of 29,975 MTPA.

Financials: Standalone

For the year ended* / As On	(Rs. crore)	
	31-03-2022**	31-03-2023**
	Audited	Audited



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For the year ended* / As On	31-03-2022**	31-03-2023**
Total Operating Income	NA	18.59
EBITDA	NA	1.89
PAT	NA	0.37
Total Debt	NA	42.66
Adjusted Tangible Net worth	NA	26.02
EBITDA Margin (%)	NA	10.14
PAT Margin (%)	NA	1.94
Overall Gearing Ratio (x)	NA	1.64

*Classification as per Infomerics' standards.

** The company started its production and sales activity from February 2023.

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 Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding. (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loan	LT	24.00	IVR BB+/Stable	-	-	-
2.	Cash Credit	LT	30.00	IVR BB+/Stable	-	-	-
3.	Bank Guarantee	ST	14.00	IVR A4+	-	-	-
4.	Letter of Credit	ST	15.00	IVR A4+	-	-	-
5.	Forward Contract (Including Proposed facility of Rs. 0.58 crore)	ST	2.00	IVR A4+	-	-	-

Name and Contact Details of the Rating Head:

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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.



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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. For more information visit <https://www.infomerics.com/>.

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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	-	-	FY29	24.00	IVR BB+/Stable
Cash Credit	-	-	-	30.00	IVR BB+/Stable
Bank Guarantee	-	-	-	14.00	IVR A4+
Letter of Credit	-	-	-	15.00	IVR A4+
Forward Contract (Including Proposed facility of Rs. 0.58 crore)	-	-	-	2.00	IVR A4+



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Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-SRMPL-oct23.pdf>

Annexure 3: List of companies considered for consolidated analysis: Not Applicable

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 <https://www.infomerics.com>.

