Shree Ramdoot Rollers Private Limited

May 15, 2024

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long term Bank Facilities – Term Loan	28.16	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Reaffirmed	Simple
Long term Bank Facilities – Cash Credit	80.00	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Reaffirmed	Simple
Short Term Bank Facilities – Bank Guarantee	19.02	IVR A3+ (IVR A Three Plus)	Reaffirmed	Simple
Long term Bank Facilities – Term Loan	15.59	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Assigned	Simple
Long term Bank Facilities – Cash Credit	78.43	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities – Bank Guarantee	3.98	IVR A3+ (IVR A Three Plus)	Assigned	Simple
Short Term Bank Facilities – Letter of credit	22.00	IVR A3+ (IVR A Three Plus)	Assigned	Simple
Total	**247.18 (Rs. Two Hundred Forty-Seven Crore and Eighteen lakhs only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

The assignment and reaffirmation of the ratings to the bank facilities of Shree Ramdoot Rollers Private Limited (SRRPL) considers the common promoters, operational & financial linkages between SRRPL and Rajshri Iron Industries Pvt Ltd (RIIPL). Infomerics has taken a combined view of these entities referred together as Rajshri Group. The reaffirmation of the ratings continues to derive comfort from the extensive experience of the promoters with long track record in the iron and steel industry, synergy benefits on account of interlinked operation of the group companies and locational advantages. Further, the ratings also consider improvement in scale of operation of the group in FY2023 and subsequently in 9MFY24 along with moderate capital structure & moderate debt protection metrics of Rajshri group. However, these rating strengths are partially offset by susceptibility of its operating margin to price volatility in raw material prices and finished goods, presence in highly fragmented industry with low bargaining power and exposure to cyclicality in the steel industry.

Key Rating Sensitivities:

Upward Rating Factors

- Growth in scale of operations 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

Downward Rating Factors

- Sustained moderation in scale of operation with moderation in profitability impacting the cash accrual and debt coverage indicators.
- Moderation in the capital structure with moderation in overall gearing to over 2x.
- Moderation in working capital cycle impacting the liquidity profile of the company.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters with the long track record in the iron and steel industry

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, also being part of an established group also provides the adequate financial flexibility required in the scale up of operations and subsequent stabilization. Further, the promoters have continuously supported the business operations by infusing capital and unsecured loans at regular intervals.

Synergy benefits

RIIPL manufactures sponge iron and SRRPL is engaged in manufacturing 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 in Burdaman and Bankura district of West Bengal which is known as steel hub and is in close proximity to various manufacturers of sponge iron, pig iron and iron scrap. Further, the company has ease of access to raw materials as the plant site is well connected by road and rail to all major big cities and towns. This ensures timely availability of raw materials, which helps in improving efficiency in production. The presence in steel belt reduces the business risk to an extent.

Improvement in scale of operation in FY2023 and in 9MFY24

The total operating income of the group registered a healthy y-o-y growth of 74.54% in its total operating income from Rs.306.32 crores in FY22(A) to Rs.534.66 crore in FY23(A) driven by growth in sales mainly in SRRPL backed by healthy improvement in sales volume and average sales realisation due to rising demand of main products i.e., TMT Bars, Sponge Iron, M.S. Billet. With growth in scale of operations the group has also witnessed growth in its absolute EBITDA and PAT. Consequently, gross cash accrual has also improved to Rs.18.77 crore in FY2023. However, the EBITDA margin moderated from 7.19% in FY 22(A) to 6.76% in FY 23(A) mainly due to the increase in raw material cost. Moreover, the PAT margin also moderated due to rise in interest and finance charges attributable to increase in total debt mainly high utilisation in its working capital borrowings to fund its enhanced scale of operation. The group has already achieved revenue of ~Rs. 699 crores till December 2023. The management's ability to increase its scale of operations and overall profit margins in the medium term will be critical from a credit perspective.

Moderate capital structure and moderate debt protection matrix.

During FY23, the total debt of the group has increased due to rise in term loan, long term unsecured loan and working capital borrowing. The capital structure of the group moderate with long term debt equity ratio and overall gearing (including quasi equity) are 0.44x and 1.31x respectively as on March 31,2023. Total indebtedness as reflected by TOL/TNW (including quasi equity) stood comfortable at 1.69x as on March 31, 2023. The debt protection metrics of the company also remained moderate in FY23. With the increase in overall debt level, Total debt/EBITDA moderated from 2.61x March 31,2022 to 4.60x as on March 31,2023. Total debt to GCA also stood moderate at 8.86 years as on March 31,2023. However, the interest coverage ratio stood comfortable at 2.43x in FY2023. The company's ability to improve its capital structure while maintaining its debt coverage indicators will be a key rating monitorable going forward.

Key Rating Weakness:

Susceptibility of operating margin to price 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.

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

Exposure to 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.

Analytical Approach: Combined

For arriving at the ratings, INFOMERICS has combined the financial risk profiles of Rajshri Iron Industries Private Limited and Shree Ramdoot Rollers Private Limited, commonly referred as Rajshri Group as these companies have a common management team under common promoters' family and are in same line of business and have operational & financial linkages. The lists of Companies considered for consolidation are given in **Annexure 3.**

Applicable Criteria:

Rating Methodology for Manufacturing companies

Financial Ratios & Interpretation (Non-Financial Sector).

Criteria of assigning rating outlook.

Criteria – Complexity Level of Rated Instruments/Facilities

Policy of default recognition

Consolidation of companies

Liquidity: Adequate

The liquidity of the group is expected to remain adequate marked by its expected healthy cash accruals vis-à-vis its debt repayment obligation in the near term. The group has projected to earn gross cash accruals in the range of ~Rs.27-43 crore as against its projected debt repayment obligation in the range of ~Rs.5.50 –11.12 crore during FY24-FY26. During FY23, the group has earned a gross cash accrual of Rs. 18.77 crore. However, the group has moderate gearing headroom backed by its leverage capital structure with overall gearing ratio (including quasi equity) at 1.31x as on March 31st, 2023.

About the Company

Incorporated in April 2008, West Bengal-based, Shree Ramdoot Rollers Pvt. Ltd. (SRRPL, erstwhile Magnum Tradelink Pvt Ltd) was promoted by Mr. Praveen Todi. SRRPL was previously engaged in trading of iron & steel products. Thereafter, it acquired SMS Plant including factory land measuring ~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 (SAMB-II, Branch, Kolkata under SARFAESI Act, 2002) on August 14, 2018. SRRPL commenced manufacturing of SMS- MS Billets/ Ingots with an installed capacity of 51700 MT from June 2020. Further, the company has set up 2 induction furnace (20 MT each) and rolling mill (148800 MTPA). With this investment, the installed capacity of the induction furnace has increased from 51700 MTPA to 184800 MTPA.

Financials (Combined):

(Rs. crore)

For the year ended* As on	31-03-2022	31-03-2023
	Combined	Combined
Total Operating Income	306.32	534.66
EBITDA	22.03	36.16
PAT	9.94	10.72
Total Debt	57.43	166.24
Tangible Net worth	73.66	94.93
Tangible Net worth (Including quasi equity)	105.95	127.22
EBITDA Margin (%)	7.19	6.76
PAT Margin (%)	3.24	2.00
Overall Gearing Ratio (x)	0.54	1.31
Interest Coverage	3.99	2.43

**Classification as per Infomerics' standards.*

Financials (Standalone):

(Rs. crore)

For the year ended* As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	191.19	464.57
EBITDA	11.40	27.51
PAT	4.74	9.16
Total Debt	26.29	107.79
Tangible Net worth	42.24	61.94
Tangible Net worth (Including quasi equity)	74.53	94.23
EBITDA Margin (%)	5.96	5.92
PAT Margin (%)	2.47	1.97

For the year ended* As on	31-03-2022	31-03-2023
Overall Gearing Ratio (x)	0.35	1.14
Interest Coverage	3.07	2.78

**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 Rating (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	
					April 03, 2024	February 22, 2024	December 26, 2022	October 29, 2021	October 18, 2021
1.	Term Loan	Long Term	28.16	IVR BBB; Stable	IVR BBB; Stable	IVR BBB-; Negative; ISSUER NOT COOPERATING*	IVR BBB /Stable	IVR BBB-/ Stable	IVR BBB- / Stable
2.	Cash Credit	Long Term	80.00	IVR BBB; Stable	IVR BBB; Stable	IVR BBB-; Negative; ISSUER NOT COOPERATING*	IVR BBB /Stable	IVR BBB-/ Stable	IVR BBB- / Stable
3.	Bank Guarantee	Short Term	19.02	IVR A3+	IVR A3+	IVR A3; ISSUER NOT COOPERATING*	IVR A3+	IVR A3	IVR A3
4.	Term Loan	Long Term	15.59	IVR BBB; Stable	-	-	-	-	-
5.	Cash Credit	Long Term	78.43	IVR BBB; Stable	-	-	-	-	-
6.	Bank Guarantee	Short Term	3.98	IVR A3+	-	-	-	-	-
7.	Letter of Credit	Short Term	22.00	IVR A3+	-	-	-	-	-

***** *Issuer did not cooperate; based on best available information*

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, 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/

Annexure 1: Details of Facility

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities-Term Loan	-	-	31-12-2028	8.76	IVR BBB/Stable
Long Term Bank Facilities-Term Loan	-	-	30-06-2029	8.77	IVR BBB/Stable
Long Term Bank Facilities-Term Loan	-	-	30-06-2028	10.29	IVR BBB/Stable
Long Term Bank Facilities-Term Loan	-	-	31-03-2029	9.50	IVR BBB/Stable
Long Term Bank Facilities-Term Loan	-	-	31-12-2027	6.43	IVR BBB/Stable

Long Term Bank Facilities-Cash Credit	-	-	-	158.43	IVR BBB/Stable
Short Term Bank Facilities – Bank Guarantee	-	-	-	23.00	IVR A3+
Short Term Bank Facilities – Letter of Credit	-	-	-	22.00	IVR A3+

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/lender-ShreeRamdoot-may24.pdf

Annexure 3: List of companies considered for consolidated analysis:

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

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.