



Press Release

Rayalaseema Industries (India) Private Limited

January 29, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facility- Cash Credit	44.96 (Enhanced from Rs. 40.00 crore)	IVR BBB-; Stable (IVR Triple B Minus with Stable Outlook)	IVR BB+; Negative (INC) (IVR Double B Plus with Negative Outlook; ISSUER NOT COOPERATING)	Rating Upgraded and outlook revised from 'Negative' to 'Stable' and removed from Issuer Not Cooperating category	Simple
Long Term Bank Facility- Cash Credit (Proposed)	21.00	IVR BBB-; Stable (IVR Triple B Minus with Stable Outlook)	-	Assigned	Simple
Short Term Bank Facility- Bank Guarantee	0.04	IVR A3 (IVR A Three)	IVR A4+ (INC) (IVR A Four Plus; ISSUER NOT COOPERATING)	Rating Upgraded and removed from Issuer Not Cooperating category	Simple
Long Term Bank Facility- Term Loan	-	-	IVR BB+; Negative (INC) (IVR Double B Plus with Negative Outlook; ISSUER NOT COOPERATING)	Rating Withdrawn	
Total	66.00 (INR Sixty-Six Crore only)				

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

Infomerics Ratings has removed the ratings assigned to the bank facilities of Rayalaseema Industries (India) Private Limited [RIIPL] from ISSUER NOT COOPERATING category based on adequate information received from the entity to review its ratings.

The assignment and upgrade in the ratings to the bank facilities of RIIPL continues to derive strength from its long track record of operation under experienced promoters and partially integrated operation. Further, the ratings also consider the stable business performance of the company in FY24 (FY refers to the period from April 01 to March 31) along with satisfactory capital structure with adequate debt protection metrics. However, these rating strengths



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remain partially offset by its thin profitability and volatility associated with fluctuation in raw material prices, exposure to intense competition and cyclicality in the steel industry. The rating assigned to the term loans facility is withdrawn based on request received from the company along with no dues confirmation from the banker. The rating is being withdrawn in accordance with Infomerics' Policy on Withdrawal of ratings.

The stable outlook reflects expected stable business performance of the company on the back of stable demand of its products and under the guidance of an experienced promoters.

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
- Sustenance of the capital structure with improvement in interest coverage ratio to over 3.5x.
- Improvement in working capital management leading to improvement in operating cycle and liquidity

Downward Factors

- Decline in revenue and profitability leading to deterioration in cash accruals and debt protection metrics on a sustained basis
- Any withdrawal of subordinated unsecured loans aggregating to Rs.50 crore and any unplanned capex leading to impairment in the capital structure with moderation in overall gearing to over 2x and/or moderation in interest coverage to below 1.75x
- Stretch in the working capital cycle driven by pile-up of inventory or stretch in receivables, or sizeable capital expenditure affecting the liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Long track of operations under experienced promoters**

RIIPL started its commercial production from the year 2005. Hence, it has around two decades of operational track record. Further, all the promoters have significant industry exposure which would be extremely beneficial for the company going forward.

- **Partially integrated operation**



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RIIPL has manufacturing facilities of MS Billets. These billets are used in manufacturing of structural products like TMT, angle, channel, etc. which ensures that the operation is partially integrated.

- **Stable business performance**

The company has maintained a stable business performance though witnessed a moderation in its scale of operations. The topline of the company moderated from Rs.371.29 crore to Rs.332.63 crore in FY24 mainly on account of moderation in sales volume and realization of TMT bars, billets, sponge and fines. Moreover, the operating profit level has also moderated from Rs.15.36 crore in FY23 to Rs.15.09 crore in FY24. However, with increase in non-operating income and lower tax outgo, PAT has improved from Rs.4.09 crore in FY23 to Rs.4.69 crore in FY24. The company has managed to improve its EBITDA margin from 4.14% in FY23 to 4.54% in FY24 mainly on the back of increase in captive use of billets for production of other structured and rolled products. Infomerics Ratings believes that the business performance of the company will continue to remain stable in the near to medium term. In 9MFY25, the company has achieved a revenue of ~Rs.220 crore.

- **Satisfactory capital structure with adequate debt protection matrices**

The company has satisfactory financial risk profile marked by its satisfactory capital structure with adequate debt protection metrics. The tangible net worth (ATNW) of the company includes subordinated unsecured loan of Rs.50.00 crore. Based on tangible net worth including quasi equity, the long-term debt equity ratio and overall gearing ratio continues to stand comfortable at 0.15x and 0.79x respectively as on March 31, 2024 as against 0.41x and 0.92x respectively as on March 31, 2023. Total indebtedness of the company marked by TOL/ATNW also stood satisfactory at 1.18x as on March 31, 2024 as compared to 1.59x as on March 31, 2023. Debt protection metrics of the company as indicated by interest coverage ratio remained satisfactory at 1.93x in FY24 vis-a-vis 2.06x in FY23. Total debt to EBITDA and Total debt to NCA though improved, remained moderate at 3.67x and 7.33 years respectively as on March 31, 2024, as against 3.93x and 8.29 years respectively as on March 31, 2023. Infomerics Ratings expects that the capital structure and debt protection metrics of the company to remain satisfactory in the near term with no major debt funded capex plans.

Key Rating Weaknesses

- **Thin profitability**



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The operating profit margin, though improved, continues to remain thin at 4.54% in FY24 vis-à-vis 4.14% in FY23. PAT margin has also improved from 1.10% in FY23 to 1.41% in FY24 but continues to remain thin.

- **Volatility associated with fluctuation in raw material prices**

The raw material cost constitutes ~80-90% of total cost of production for the last three years. The major raw materials of the company are sponge iron, pig iron etc., the prices of which are highly volatile in nature and determined based on global demand supply matrix. Hence, any significant rise in metal price leads to increase in overall cost which likely to impact the profitability of the company. Further, the company lacks captive power and backward integration for its basic raw-materials and has to procure the same from the open market.

- **Exposure to intense competition**

Steel industry is highly competitive due to presence of many organised and unorganised players which restricts the pricing power of the participants. Further, the industry is induced by global demand supply situations.

- **Exposure to cyclicity in steel industry**

The domestic steel industry is cyclical in nature and is likely to impact the cash flows of the steel players, including RIIPL. 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. Further, the company's operations are vulnerable to any adverse change in the global demand-supply dynamics.

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](#)

[Policy on Withdrawal of Ratings](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

The liquidity of the company is expected to remain adequate in the near to medium term marked by its expected sufficient cash accruals vis-à-vis its debt repayment obligations. The



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company is expected to earn gross cash accruals in the range of ~Rs.9.09-10.04 crore which is sufficient to meet its debt obligations during FY25-FY27. Further, the company has a comfortable current ratio of 1.68x as on March 31, 2024. However, the liquidity position of the company is restricted due to its high working capital intensity marked by the high average working capital utilization of ~87% for past twelve months ending November 2024.

About the Company

Incorporated in 2005 by Mr. Inder Karan Agarwal, Rayalaseema Industries (India) Private Limited (RIIPL) is engaged in manufacturing of long and flat steel products, primarily thermo-mechanically treated bars, billets, mild steel angles and beam channels and structural steel of varying thickness. The plant of RIIPL is in Mahbubnagar District in Telangana and it sells its products under the brand name of, 'SHRISHTII'. Mr. Rahul Bawri and Mr. Rakesh Mourya are the present directors of the company. Chhattisgarh Power & Coal Beneficiation Limited is the major stake holder with ~55% of holding along with Nav Durga Fuels Private Limited (IVR BBB+/Stable/A2) headed by Mr. Nimish Gadodia, holding ~13% of RIIPL's share.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	371.29	332.63
EBITDA	15.36	15.09
PAT	4.09	4.69
Total Debt	60.42	55.39
Tangible Net Worth	15.73	20.42
Tangible Net Worth (Adjusted)	65.73	70.42
EBITDA Margin (%)	4.14	4.54
PAT Margin (%)	1.10	1.41
Overall Gearing Ratio (x) (Adjusted)	0.92	0.79
Interest Coverage (x)	2.06	1.93

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:



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Sr. No	Name of Security/Facilities	Current Ratings (Year 2024-2025)				Rating History for the past 3 years		
		Type (Long Term/ Short Term)	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					Nov 05, 2024	Sep 5, 2023	-	-
1.	Cash Credit	Long Term	44.96	IVR BBB-/ Stable	IVR BB+/ Negative; Issuer Not Cooperating	IVR BBB-/ Stable	-	-
2.	Proposed Cash Credit	Long Term	21.00	IVR BBB-/ Stable	-	-	-	-
3.	Bank Guarantee	Short Term	0.04	IVR A3	IVR A4+; Issuer Not Cooperating	IVR A3	-	-
4.	Term Loan	Long Term	-	-	IVR BB+/ Negative; Issuer Not Cooperating	IVR BBB-/ Stable	-	-

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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.



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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.

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Annexure 1: Instrument/Facility Details

Name of Facility/ Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	-	44.96	IVR BBB-/ Stable
Bank Guarantee	-	-	-	-	0.04	IVR A3
Cash Credit (Proposed)	-	-	-	-	21.00	IVR BBB-/ Stable

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-rayalaseema-jan25.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.