

## Rating Rationale

### Rashmi Ispat Limited

21 April, 2017

Brickwork Ratings assigns ratings for the Bank Loan Facilities of Rs.94.00Crs of Rashmi Ispat Limited (RIL or the ‘Company’).

#### Particulars

Facility Rated	Amount (Rs. Crs)	Tenure	Rating *
<b>Fund Based Term Loan</b>	<b>60.00</b>	<b>Long Term</b>	<b>BWR BB+ (Pronounced As BWR Double B Plus ) Outlook:(Stable)</b>
<b>Fund Based Cash Credit</b>	<b>27.00</b>	<b>Long Term</b>	
<b>Non Fund Based Bank Guarantee/ Letter Of Credit</b>	<b>7.00</b>	<b>Short Term</b>	<b>BWR A4+(Pronounced As A Four Plus)</b>
<b>Total</b>	<b>Rs 94.00 Crores (Rupee Ninety Four Crores Only)</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

Note: Bank Guarantee and Letter of Credit are interchangeable with each other.

**Rating assigned:** BWR has assigned its long-term rating of BWR BB+ ( Pronounced BWR Double B Plus) to Rs.87.00 Crs of fund based limit and short-term rating of BWR A4+ ( Pronounced BWR A Four Plus ) to Rs. 7.00 Crs of non-fund based limit of Rashmi Ispat Limited.

#### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results up to FY16, projected financials up-to FY18, publicly available information and information/clarification provided by the Company’s management.

The ratings have factored, inter alia, experience of the promoters in iron and steel industry, steady revenue growth and reputed clientele. The ratings also draw support from the healthy financial risk profile marked by low gearing level, improved coverage indicators and comfortable net worth. The rating is, however, constrained by moderate scale of operations, thin

margins susceptibility to volatility with raw material prices and intense competition in iron and steel industry.

Going forward, the ability of the Company to improve its top-line and margin, increase the utilisation capacity, diversify the customer base will remain the key rating sensitivities.

### **Rating Outlook: Stable**

BWR believes the Rashmi Ispat Limited's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

### **About the Company**

Incorporated in 1992 Rashmi Ispat Limited is based out of Kolkata, West Bengal. The manufacturing unit was set up in 2001 at Jhargram of Paschim Medinipur district. The Company became a limited Company in 2007. Mr. Anil Kumar Patwari is the only promoter director of the Company. Mr. Swapan Banerjee is the Non promoter director; Mr. Vivek Kumar Saha and Mrs. Indra Agarwal are the independent directors of the Company.

The Company is engaged in manufacturing of sponge iron. The Company has installed capacity of 90,000 TPA for sponge iron. The Company resources raw materials are from Coal: from Coal India Ltd.'s subsidiary- Mahanadi Coalfields Ltd., Sambalpur-Odisha, Iron Ore: Barbil, Joda – Odisha & Dolomite: mainly from Bihar.

The company proposes to add a fourth 100 TPD capacity kiln, a 12 MW capacity captive power plant and 2nos induction furnaces of 12MT capacity each along with a 4/7 M radius 2 strand continuous casting machine (CCM) for producing 6M long MS billets of cross sections of 100mm square and 140 mm square at Jhargram.

### **Company Financial Performance**

The Company has reported Total Operating Income of Rs.102.41 Crores in FY16 with a PAT of 0.38 Crs against Rs.120.67 Crores in FY15 with a PAT of 0.31 Crs. As reported by the management the company has reported a Net Sales of 126.97 Crs in FY 17 till Feb 2017 and already surpassed the projected sales for FY17.

**Rating History for the last three years: (including withdrawn/suspended ratings)**

Sl. No.	Instrument/ Facility	Current Rating (Year 2017)			Rating History		
		Type (Long Term/ Short Term)	Amount (Rs Crs)	Rating	2016	2015	2014
1	Term Loan	Long Term	60.00	BWR BB+ (Stable)	--	--	--
2	Cash Credit	Long Term	27.00	BWR BB+ (Stable)	--	--	--
3	Bank Guarantee/ Letter Of Credit	Short Term	7.00	BWR A4+	--	--	--

**Status of non-cooperation with previous CRA (if applicable): NA**

**Hyperlink/Reference to Applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Industry](#)

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**Note on complexity levels of the rated instrument:**

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is



accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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