



## Press Release

**Raigarh Ispat & Power Private Limited**

**November 19, 2020**

### Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Bank Facilities – Term Loan	47.50	IVR BBB /Stable (IVR Triple B with Stable Outlook)	Assigned
Long Term Bank Facilities – Cash Credit	28.50	IVR BBB /Stable (IVR Triple B with Stable Outlook)	Assigned
Short Term Bank Facilities – Bank Guarantee	2.00 (including proposed limit of Rs.1.00 crore)	IVR A3+ (IVR A Three Plus)	Assigned
<b>Total</b>	<b>78.00</b>		

**Details of Facilities are in Annexure 1**

### Detailed Rationale

The aforesaid ratings assigned to the bank facilities of Raigarh Ispat & Power Private Limited (RIPPL) derives comfort from its experienced promoters with long track record, strategic location of the plant with adequate forward integration. The ratings also factor in stable financial performance with healthy profitability coupled with healthy debt protection metrics. However, these rating strengths are partially offset by intense competition, cyclicity in the steel industry and working capital intensive nature of operations.

### Key Rating Sensitivities:

#### Upward factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity
- Improvement in the capital structure with improvement in debt protection metrics
- Improvement in the operating cycle with improvement in average cash credit utilisation to below 90% on a sustained basis

#### Downward factors

- Dip in operating income and/or profitability impacting the debt coverage indicators and/or moderation in overall gearing to more than 1.50 times
- Any significant rise in working capital intensity or unplanned capex leading to a deterioration in the liquidity position.
- Stretch in working capital cycle impacting the liquidity



## Press Release

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### **Long track record of operation under experienced promoters**

RIPPL was incorporated in 2004 by Raigarh, Chhattisgarh based Mr. Kamal Kishor Agrawal and Mr. Shrawan Kumar Agrawal who are also the Directors of the company. They have an experience of over a decade in the steel industry and are associated with the company since inception. They are actively involved in managing the day to day operations of the company along with the support of qualified and experienced professional.

##### **Strategic location of the plant**

RIPPL's manufacturing facility is located in Raigarh, Chhattisgarh, which is in close proximity to various steel plants and various producers/dealers of its main raw materials (i.e. iron ore/coal). Further, the plant is well connected through road and rail transport which facilitates easy transportation of raw materials and finished goods. Proximity of the plant to source of raw material and end market for its sponge iron results in containment of transportation cost.

##### **Adequate forward integration**

In the past the company incurred capex towards forward integration of its operations. The company was only selling sponge iron till FY20. RIPPL diversified its operations by way of forward integration into billet manufacturing with installed capacity of 90,000 MTPA of which 60,000 MTPA commenced production from March, 2020 onwards and the remaining 30,000 MTPA will commence operation from November, 2020 onwards. Besides, the company also set up 12 MW captive power plant (CPP) based on waste heat recovery from the kiln exit gases. Going forward, the new units are expected to aid the profitability of the company.

##### **Stable financial performance with healthy profitability**

Total operating income witnessed a significant increase from Rs.94.57 crore in FY18 to Rs.205.22 crore in FY19 driven by increase in capacity of sponge iron from 60,000 MTPA to 1,20,000 MTPA in FY19. However, TOI witnessed a y-o-y decline of ~9% from Rs.205.22 crore in FY19 to Rs.186.14 crore in FY20 (Prov.) despite rise in sales volume due to moderation in average sales price realisation. Moreover, the sales for the last ten days of FY20 was impacted due to the outbreak of COVID 19 pandemic. There was a significant increase volume sales of sponge iron from 65,812 MTPA in FY19 to 1,01,214 MTPA in FY20. The EBITDA improved from Rs.10.54 crore in FY19 to Rs.17.30 crore in FY20 (Prov.) resulting



## Press Release

in improvement in EBITDA margin from 5.14% in FY19 to 9.30% in FY20 (Prov.) on account of decrease in raw material and other operational and administrative cost along with higher absorption of fixed overheads. PBT margin also improved from 3.92% in FY19 to 6.45% in FY20 (Prov.). Further, on account of lower tax provision due to substantial capex as per the Income Tax Act, PAT margin improved substantially from 2.75% in FY19 to 6.06% in FY20 (Prov.) with improvement in gross cash accruals from Rs.5.67 crore in FY19 to 13.22 crore in FY20. The company achieved TOI of Rs.128.41 crore during H1FY21 on account of increase in the sale of billet, commercial production of which started from March, 2020 onwards. Infomerics expects that the financial performance of the company will continue to remain stable in the near term.

### **Healthy debt protection metrics**

The capital structure of the company though moderated due to debt funded capex, yet remained comfortable with overall gearing of 1.25x as on March 31, 2020 (Prov.) as against 0.83x as on March 31, 2019. Total indebtedness remained comfortable as reflected by TOL/TNW of 1.70x as on March 31, 2020 (Prov.). However, the debt protection metrics improved with healthy interest coverage ratio at 4.33x (4.31x in FY19) in F20 (Prov.). Total debt to GCA remained moderate at 4.52x (4.04x in FY19) in FY20 (Prov.).

### **Key Rating Weaknesses**

#### **Highly competitive & fragmented nature of industry**

The spectrum of the steel industry in which the company operates is highly fragmented and competitive due to presence of numerous players in India owing to relatively low entry barriers. Hence, the players in the industry do not have pricing power and are exposed to the prices fixed by the industry giants.

#### **Exposure to cyclicity inherent in the steel industry**

The steel industry is highly cyclical. Steel prices fluctuate based on macro-economic factors, including, amongst others, consumer confidence, employment rates, interest rates and inflation rates, general levels of infrastructure activities in the region of sale, etc. Adverse volatility in steel prices will have an adverse effect on company's performance in view of RIPPL's direct linkage to the fortunes of Steel industry.

#### **Working capital intensive nature of operations**



## Press Release

RIPPL has working-capital-intensive operations, marked by its high average working capital utilisation ~90% for the last twelve months September, 2020. Infomerics believes that RIPPL's operations will remain working capital intensive over the medium term.

**Analytical Approach:** Standalone

**Applicable Criteria:**

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

**Liquidity - Adequate**

The liquidity profile of RIPPL is expected to remain adequate with its satisfactory cash accruals vis a- vis its debt repayment obligations. The current ratio of the company was also comfortable at 1.34x as on March 31, 2020 (Prov.). However, the average cash credit utilisation of the company remained high at ~90% during the past 12 months ended September, 2020 indicating a limited liquidity cushion. Also, the amount of free cash and cash equivalents stood at 0.06 crore as on September 30, 2020.

**About the Company**

Incorporated in 2004, by Raigarh, Chhattisgarh based Mr. Kamal Kishor Agrawal and Mr. Shrawan Kumar Agrawal, Raigarh Ispat & Power Private Limited (RIPPL) is engaged in manufacturing of sponge iron with an installed capacity of 1,20,000 MTPA. The company also started manufacturing of billets with an installed capacity of 60,000 MTPA from March, 2020 onwards. The manufacturing capacity of billets is further enhanced by 30,000 MTPA and the commercial production for the same will start from November, 2020 onwards. The company has also set up a 12MW WHRB plant (Waste Heat Recovery Boiler), out of which 8MW became operational from March, 2020 onwards and the remaining 4MW will become operational from November, 2020 onwards. The manufacturing facility is situated in Raigarh, Chhattisgarh.

**Financials (Standalone):**

For the year ended* / As On	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	205.22	186.14
Total Income	205.31	186.82
EBITDA	10.54	17.30
PAT	5.64	11.32
Total Debt	42.62	78.17



## Press Release

For the year ended* / As On	31-03-2019	31-03-2020
	Audited	Provisional
Tangible Net worth	51.32	62.64
EBITDA Margin (%)	5.14	9.30
PAT Margin (%)	2.75	6.06
Overall Gearing Ratio (x)	0.83	1.25

\*As per Infomerics' Standard

### Status of non-cooperation with previous CRA:

CARE Ratings has moved the rating of RIPPL into the Issuer Non-Cooperating category as the company did not co-operate in the rating procedure despite repeated follow ups as per the Press Release dated June 08, 2020.

**Any other information:** Nil

### Rating History for last three years with Infomerics:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Term Loan	Long Term	47.50	IVR BBB /Stable	-	-	-
2.	Cash Credit	Long Term	28.50	IVR BBB /Stable	-	-	-
3.	Bank Guarantee	Short Term	2.00 (Including proposed limit of Rs.1.00 crore)	IVR A3+	-	-	-

**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](http://www.infomerics.com).

### Name and Contact Details of the Rating Analyst:

Name: Ms. Harshita Didwania Tel: (033) 46022266 Email: <a href="mailto:hdidwania@infomerics.com">hdidwania@infomerics.com</a>	Name: Mr. Avik Podder Tel: (033) 46022266 Email: <a href="mailto:apodder@infomerics.com">apodder@infomerics.com</a>
---	---

### 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



## Press Release

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 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
Long Term Bank Facilities – Term Loan	-	-	January, 2026	47.50	IVR BBB /Stable
Long Term Bank Facilities – Cash Credit	-	-	-	28.50	IVR BBB /Stable
Short Term Bank Facilities – Bank Guarantee	-	-	-	2.00 (Including proposed limit of Rs.1.00 crore)	IVR A3+