



## Press Release

### Ritesh Tradefin Limited

February 12, 2021

#### Rating

Facilities/ Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	13.00	IVR BB / Stable Outlook; (IVR Double B with Stable Outlook;)	<b>Reaffirmed and removed from Issuer Not Cooperating</b>
<b>Total</b>	<b>13.00 (Rs. Thirteen crore)</b>		

**Details of Facilities are in Annexure 1**

#### Detailed Rationale

Due to inadequate information, Infomerics, in line with the Securities and Exchange Board of India (SEBI) guidelines, had migrated the ratings assigned to the bank facilities of Ritesh Tradefin Limited (RTL) to 'IVR BB; Issuer Non-Cooperating'. However, the management has subsequently started sharing the requisite information necessary for carrying out a comprehensive review of the rating. On receipt of required information the rating assigned to the bank facilities of RTL is now removed from issuer not cooperating category. Further, the rating continues to derive comfort from its experienced promoters, strategic location of its plant providing competitive advantage to an extent and its moderate capital structure. However, these rating strengths remain constrained due to its moderation in its financial performance marked by its thin operating margin, moderation in debt protection metrics in FY20 and working capital intensive nature of its operations. The rating also factors in its moderate capacity utilization, exposure to cyclical nature in the steel industry and presence in a highly competitive & fragmented industry restricting its profitability.

#### Key Rating Sensitivities:

##### Upward rating factor

- Growth in its scale of operations with improvement in its profitability and liquidity
- Increase in capacity utilisation
- Improvement in the capital structure and/or improvement in debt protection metrics with interest coverage ratio over 1.2x.
- Improvement in liquidity with reduction in utilization of bank limits to below 95% on sustained basis



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### **Downward Rating Factors**

- Moderation in its scale of operations and/or moderation in its profitability
- Moderation in its capital structure with overall gearing gone over 2x
- Deterioration in its liquidity position

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Experienced promoters**

The promoters have long-standing experience in production and selling of Iron & Steel products such as Sponge Iron, Pig Iron, M.S. Ingot, M.S. Billet, Silico Manganese, Ferro Alloys, Heavy Structural Item, Light Structural Item, TMT Bar etc through various companies. Currently, the day to day affairs of the company is managed by Mr. Ritesh Agarwal, Director, second generation entrepreneur having an experience of more than 14 years.

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

RTL's manufacturing facility is located at Durgapur industrial belt in Burdwan district of West Bengal, which is in close proximity to coal mine of Eastern Coalfield Ltd, Raniganj (W.B.); from where RTL procures coal. Further, iron-ore (the main raw material for the company) rich states of Jharkhand and Orissa are also located nearby. Further, Durgapur being an industrial belt has end market for its sponge iron and is well connected through road and rail transport which facilitates easy transportation of raw materials and finished goods.

#### **Key Rating Weaknesses**

##### **Deterioration in financial performance marked by low operating margin and moderate capacity utilization**

The total operating income of the company declined from Rs. 113.07 crore in FY19 to Rs.79.41 crore in FY20 as a result of decline in sales realisations coupled with lower sales in Q4FY20 due to impact of Covid related lockdown in March, 2020. With increase in input cost coupled with decline in sales realisation and moderation in capacity utilisation the EBITDA and EBITDA margin also declined in FY20. The company however, managed to support its operations since the debt repayment obligation was negligible during the period. However, during 9MFY21, the performance of the company has improved with improvement in its sales realisation and the company has achieved a topline of ~Rs.83 crore.



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### **Moderation in debt protection metrics in FY20**

The long-term debt equity ratio and overall gearing remained moderate at 0.60x and 1.53x respectively as on March 31, 2020 (0.59x and 1.50x respectively as on March 31, 2019). However, during FY20 the financial performance of the company was largely impacted which lead to moderation in its operating profit and consequently the interest coverage ratio was also deteriorated to 0.74x in FY20 vis-à-vis 1.64x in FY19. Further, the total debt/GCA also deteriorated to 20.34x as on March 31, 2020. During FY20, the company managed to serve its interest obligations through internal cash accruals and optimisation of working capital.

### **Presence in a highly competitive & fragmented 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. Further, the company derives ~54% of its sales in FY20 from its top ten customers, indicating a moderately concentrated customer base.

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

The operations of the RTL are working capital intensive as the company needs to procure its main raw materials i.e. iron ore and coal mostly on advance basis or with minimum credit period and on the other hand has to extend higher credit period to its customers due to high competition in the industry. Besides, it also needs to maintain raw material inventory (mainly iron ore) for uninterrupted production. The operating cycle of RTL stood at 74 days owing to its high collection period and high average inventory period. However, the company managed to obtain good credit period to effectively manage its working capital. The average utilisation of its working capital limit continued to remain high at about 100% during the past 12 months ended on December 31, 2020.

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

The steel industry is sensitive to the business cycles, including changes in the general economy, interest rates and seasonal changes in the demand and supply conditions in the market. Furthermore, the producers of steel & related products are essentially price-takers in the market, which directly expose their cash flows and profitability to volatility of the steel industry.



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### Liquidity - Stretched

RTL's liquidity remains stretched marked by low cash accruals (Rs.1.07 crore in FY20) and full utilization of bank limits in the past 12 months ending December 31, 2020.

### Analytical Approach: Standalone

#### Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non- Financial Sector)

### About the Company

Ritesh Tradefin Limited (RTL), incorporated in January 1993, is engaged in the manufacturing of Sponge Iron and angle channels with a current installed capacity of 30,000 metric tonne per annum (MTPA) of sponge iron and 36,000 MTPA of angle channels, belongs to the one Agarwal family based out of Bardhaman, West Bengal with Mr. Ritesh Agarwal being the main promoter. The Agarwal family is actively involved in the steel sector from last 30 years through various companies under its fold. All the Promoters and Directors of RTL are fully equipped with the knowledge of Iron & Steel Industry and in the activity since 1993.

### Financials: Standalone

(Rs. crore)

For the year ended*/ As on	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	113.07	79.41
EBIDTA	4.13	1.71
PAT	0.65	0.03
Total Debt	21.27	21.72
Tangible Net worth	14.15	14.18
EBIDTA Margin (%)	3.65	2.15
PAT Margin (%)	0.57	0.03
Overall Gearing Ratio (x)	1.50	1.53

*\*as per Infomerics standards*

**Status of non-cooperation with previous CRA:** Vide the last press release dated February 15, 2018, India Ratings & Research Pvt Ltd, has moved the rating to issuer non cooperating category due to non-submission of information.

**Any other information:** Nil



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### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2020-21)				Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Rating On Dec. 30, 2020	Date(s) & Rating(s) assigned in 2019-20	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	Cash Credit	LT	7.50	IVR BB / Stable Outlook	IVR BB; Issuer Not Co-operating* (IVR Double B ; Issuer Not Co-operating)	IVR BB+ / Stable Outlook Dec. 3, 2019	IVR BB+ / Stable Outlook Nov. 6, 2019	-	-
2	Overdraft	LT	5.50	IVR BB / Stable Outlook	IVR BB; Issuer Not Co-operating* (IVR Double B ; Issuer Not Co-operating)	IVR BB+ / Stable Outlook Dec. 3, 2019 (Reclassified)	IVR A4+ Stable Nov. 6, 2019	-	-

**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).

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### 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 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.



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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
Long Term Fund Based Facilities- Cash Credit	-	-	-	7.50	IVR BB / Stable Outlook
Long Term Fund Based Facilities- Overdraft	-	-	-	5.50	IVR BB / Stable Outlook