

Rathi Industries Limited

September 07, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Rating Action
Long Term Bank Facilities	-	-	Rating continues to remain under ISSUER NOT COOPERATING category; Reaffirmed at CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable ISSUER NOT COOPERATING*) and Withdrawn
Short Term Bank Facilities	-	-	Rating continues to remain under ISSUER NOT COOPERATING category; Reaffirmed at CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*) and Withdrawn
Total Bank Facilities	0.00 (Rs. Only)		

Details of facilities in Annexure-1

Detailed Rationale and Key Rating Drivers:

CARE has reaffirmed and withdrawn the outstanding ratings of 'CARE BB; Stable/CARE A4; Issuer not cooperating' [Double B; Outlook: Stable/ A Four; Issuer not cooperating] assigned to the bank facilities of Rathi Industries Limited with immediate effect. The above action has been taken at the request of Rathi Industries Limited and 'No Objection Certificate' received from the bank(s) that have extended the facilities rated by CARE.

The ratings have been reaffirmed based on best available information on account of non-receipt of requisite information and hence CARE is not able to conduct appropriate analysis.

Detailed description of the key rating drivers

Please refer to PR dated [June 09, 2021](#) the following were the rating strengths and weaknesses

Key Rating Weaknesses

Working capital intensive nature of operations: RIL's operating cycle increased to 55 days as on March 31, 2020 (PY: 36 days) and the average collection period also increased to 46 days as on March 31, 2020 (PY: 32 days).

Exposure to raw material price volatility: The major raw materials for RIL's products are steel ingots and billets which are sourced from the open market and the prices of these products are volatile. The raw material cost as a percentage of the total operating income remains at around 75-80%. RIL cannot pass on the full impact of the fluctuation in raw material prices to its customers due to the high competition which has a bearing on the margins.

Cyclicality inherent in the steel industry: The steel industry is sensitive to the shifting business cycles, including changes in the general economy, interest rates and seasonal changes in the demand and supply conditions in the market. The producers of steel construction materials are essentially price-takers in the market, which directly expose their cash flows and profitability to volatility in the steel prices.

Key Rating Strengths

Experienced promoters and company's long track record of operations: RIL belongs to the Rathi group which is engaged in the steel business since 1942. The promoters of the company have vast experience of more than 7 decades in the steel industry which aids the company in better understanding of the trends in demand and supply dynamics of the industry.

Established brand image and distribution network: The products of RIL are sold under the umbrella brand "Rathi" which is owned by the Rathi family trust and is among the largest TMT brands in India. RIL owns Rathi Stelmax which is exclusively used by it for selling its products. The company sells its products directly to various builders, institutions, etc. and also through a wide network of dealers spread across North India.

Improvement in operational performance: The total operating income decreased to Rs. 685.48 crores in FY20 (PY: Rs. 941.47 crores). The company reported PBILDT and PAT of Rs. 20.04 cr (PY: Rs. 18.69 cr) and Rs.1.26 cr (PY: Rs. 4.07 cr) as on March 31, 2020.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

*Issuer did not cooperate; Based on best available information

Moderate financial risk profile: RIL's overall gearing deteriorated marginally to 0.70 x as on March 31, 2020 (PY: 0.54x) owing to increase in the total debt. The interest coverage stood at 2.35x in FY20 (PY: 2.69x) owing to higher interest charges and the total debt to gross cash accruals declined to 12.52x as on March 31, 2020 (PY: Rs. 6.76x) owing to higher debt.

Liquidity: Adequate

The liquidity profile of the company is marked by a current ratio of 1.68x as on March 31, 2020. The operating cycle of the company stood at 55 days as on March 31, 2020 (PY: 36 days) due to stretched collection days of 46 days as on March 31, 2020 (PY: 32 days). The company has cash and cash equivalents of Rs. 1.67 cr as on March 31, 2020 (PY: Rs. 0.48 cr).

Analytical approach: Standalone

Applicable Criteria

[Policy on Withdrawal of ratings](#)

[Policy in respect of non-cooperation by issuers](#)

[Criteria on assigning Outlook to Credit Rating](#)

[Criteria for Short Term Instruments](#)

[CARE's Policy on Default Recognition](#)

[CARE's Rating Methodology - Manufacturing Companies](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Financial ratios - Non -Financial Sector](#)

About the Company

RIL was incorporated by Mr Prem Ratan Rathi in 1991. The promoters of the company belong to the Rathi group which is engaged in the steel business since 1942. The company is engaged in manufacturing of TMT bars with 8 mm to 32 mm thickness, which is widely used in construction industry. The company's plant is located at Gautam Budh Nagar, Uttar Pradesh, with an installed capacity of 200,000 Metric Tonnes Per Annum (MTPA) as on March 31, 2017. The company is also engaged in trading of TMT bars, which it procures from the local market.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total Operating Income	941.47	685.48
PBILDT	18.69	20.04
PAT	4.07	1.26
Overall Gearing (times)	0.54	0.70
Interest coverage (times)	2.69	2.35

A: Audited

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Term Loan-Long Term	-	-	-	0.00	Withdrawn
Non-fund-based - ST-BG/LC	-	-	-	0.00	Withdrawn
Fund-based - LT-Cash Credit	-	-	-	0.00	Withdrawn

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Term Loan-Long Term	LT#	-	-	1)CARE BB; Stable; ISSUER NOT COOPERATING* (09-Jun-21)	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (15-May-20)	-	1)CARE BBB-; Stable; ISSUER NOT COOPERATING* (25-Mar-19) 2)CARE BBB-; Stable (05-Apr-18)
2.	Non-fund-based - ST-BG/LC	ST#	-	-	1)CARE A4; ISSUER NOT COOPERATING* (09-Jun-21)	1)CARE A4+; ISSUER NOT COOPERATING* (15-May-20)	-	1)CARE A3; ISSUER NOT COOPERATING* (25-Mar-19) 2)CARE A3 (05-Apr-18)
3.	Fund-based - LT-Cash Credit	LT	-	-	1)CARE BB; Stable; ISSUER NOT COOPERATING* (09-Jun-21)	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (15-May-20)	-	1)CARE BBB-; Stable; ISSUER NOT COOPERATING* (25-Mar-19) 2)CARE BBB-; Stable (05-Apr-18)

#Long Term / Short Term

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities – Not applicable**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Non-fund-based - ST-BG/LC	Simple
3.	Term Loan-Long Term	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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