

Rosha Alloys Private Limited

January 14, 2021

Rating

Facilities	Amount (Rs. crore)	Rating1	Rating Action
Long term Bank Facilities	7.50	CARE B; Stable; ISSUER NOT COOPERATING* (Single B: Outlook: Stable; ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE B+; Stable (Single B Plus; Outlook: Stable)
Total	7.50 (Rs. Seven crore and Fifty Lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated October 24, 2019, placed the rating of Rosha Alloys Private Limited (RAP) under the 'issuer non-cooperating' category as RAP had failed to provide information for monitoring of the rating. RAP continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated December 31, 2020, December 22, 2020, and December 21, 2020. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

Detailed description of the key rating drivers

The revision in the rating takes into account the non-availability of requisite information due to non-cooperation by RAP with CARE's efforts to undertake a review of the outstanding ratings as CARE views information availability risk as key factor in its assessment of credit risk profile. The long term rating has been revised on account of low profitability margins and weak capital structure, raw material price fluctuation risk and highly competitive and fragmented industry. The rating, however, draws strengths from experienced promoters

Key rating Weaknesses

Low profitability margins

The profitability margins marked by PBILD margin and PAT margin stood low at 1.56% and 0.22% in FY19 respectively (PY: 1.98% and 0.31% respectively).

Leveraged capital structure

The overall gearing ratio stood leveraged at 2.71x as on March 31, 2019 (PY: 2.72x).

Further, the total debt to GCA stood weak at 17.37x for FY19 (PY: 23.19x). However, interest coverage ratio stood moderate at 1.66x in FY19 (PY: 1.59x).

Raw material price fluctuation risk

The major raw material for the company is iron & steel scrap which is sourced from the local market on spot price basis. The input prices over the years have shown volatile trends. RAP is thus exposed to risks associated with volatility in raw material prices owing to absence of any long-term sourcing arrangements.

Highly competitive and fragmented industry

The iron and steel industry in which RAP operates is highly fragmented and competitive in nature marked by the presence of various large and small players. The industry is characterized by low entry barriers due to low technological inputs and easy availability of standardized machinery for the production. The players in the steel industry, especially the small players, do not have any pricing power and are exposed to competition induced pressures on profitability.

Key Rating Strengths

Experienced promoters

The company is promoted by Mr. Harbans Singh Rosha, Mr. Hardev Singh Rosha, Mr. Harinderpal Singh Rosha and Mr. Hardeep Singh Walia collectively having an industry experience of more than one and a half decade through their association with RAP and other firms. The promoters have adequate acumen about various aspects of business which is likely to benefit RAP in the long run. Furthermore, the long track record has aided the company in establishment of strong relationships with suppliers as well as customers.

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

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

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

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

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

[CARE's methodology for manufacturing companies](#)

About the company

Rosha Alloys Private Limited (RAP) was incorporated as a private limited company in November 2002 by Mr. Harbans Singh Rosha, Mr. Hardev Singh Rosha, Mr. Harinderpal Singh Rosha and Mr. Hardeep Singh Walia. The company is engaged in the manufacturing of steel ingots at its facility located in Mandi Gobindgarh, Punjab with an installed capacity of 24480 metric tonne of steel ingots per annum as on March 31, 2017. Besides RAP, the directors are also engaged in managing another group concerns namely Delight Flour mill Private Limited, Rosha traders, Sohan Singh Rosha & Sons and Shri Ganesh Roller Flour Mill.

Covenants of rated instrument / facility: Not Applicable

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	50.60	81.50
PBILDT	1.00	1.27
PAT	0.16	0.18
Overall gearing (times)	2.72	2.71
Interest coverage (times)	1.59	1.66

A: Audited

Status of non-cooperation with previous CRA: ICRA has conducted the review on the basis of best available information and classified Rosha Alloys Private Limited as "Not Co-operating" vide its press release dated January 14, 2020.

Any other information: Not Applicable

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

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
Fund-based - LT-Cash Credit	-	-	-	7.50	CARE B; Stable; ISSUER NOT COOPERATING*

*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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	7.50	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (24-Oct-19)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (23-Jan-19) 2)CARE B+; Stable (12-Apr-18)	-

*Issuer did not cooperate; based on best available information

Annexure-3: Detailed explanation of covenants of the rated facilities: Not Applicable

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

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple

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

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About CARE Ratings:

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