# R. P. Multimetals Private Limited

September 03, 2024

| Facilities/Instruments | Amount (₹ crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Long Term Bank Facilities | 65.50 | CARE BB+; Stable; ISSUER NOT COOPERATING* | Revised from CARE BBB-; Stable and moved to ISSUER NOT COOPERATING category |
| Short Term Bank Facilities | 50.00 | CARE A4+; ISSUER NOT COOPERATING* | Revised from CARE A3 and moved to ISSUER NOT COOPERATING category |

Details of instruments/facilities in Annexure-1.
*Issuer did not cooperate; based on best available information.

## Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from R. P. Multimetals Private Limited (RPML) to monitor the ratings vide e-mail communications/letters dated July 2, 2024, July 29, 2024, August 21, 2024, August 22, 2024, etc. among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which, however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The ratings on R. P. Multimetals Private Limited's bank facilities will now be denoted as **CARE BB+; Stable/ CARE A4+; ISSUER NOT COOPERATING***.

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

The ratings have been revised on account of non-availability of requisite information due to non-cooperation by R. P. Multimetals Private Limited (RPML) with CARE Ratings Ltd.'s efforts to undertake a review of the rating outstanding. CARE Ratings Ltd. views information availability risk as a key factor in its assessment of credit risk. Further, the ratings take into account the constraints relating to company's low profitability margins and foreign exchange fluctuation risk. Further, the ratings continue to remain constrained by risk associated with susceptibility to volatility in raw material prices and highly competitive and cyclical nature of industry. The ratings, however, continue to draws comfort from the growing scale of operations, moderate capital structure and debt coverage indicators, and improvement in customer credit profile resulting in timely realization leading to moderate operating cycle. The ratings, further continue to derive strength from the experienced promoters coupled with long track record of operations and diversified customer base.

**Analytical approach:** Standalone

**Outlook:** Stable

## Detailed description of the key rating drivers:

At the time of last rating on April 02, 2024, the following were the rating strengths and weaknesses:

### Key weaknesses

**Low profitability margins:** The profitability margins of the company moderated though stood low for the last three financial years (FY21-FY23) on account of raw material price volatility risk coupled with highly competitive nature of industry. The PBILDT margin of the company moderated and stood at 2.53% in FY23 as against 3.04% in FY22 on the back of elevated raw material prices due to the impact of the Russia-Ukraine war and the limited ability of the company to pass on the incremental raw material cost to the end consumer which resulted in high cost inventory consumption during the year. Further, in line with PBILDT margin, PAT margin also moderated and stood at 0.87% in FY23 as against 0.93% in FY22 owing to increase in interest cost for the term loan availed for the capex undertaken. Further, during 11MFY24, the profitability margins of the company marginally improved and stood at 2.67% and 0.83% respectively, owing to stabilization in the steel prices and uptick in demand for domestic steel players due to infrastructure push in the pre-election year, which led to stable profitability margins.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

**Foreign exchange fluctuation risk:** RPML meets (~60% in FY23) of its procurement of raw materials, consumables & spares in the form of imports from U.A.E, West Africa, Europe, etc. among others. while it sells its finished products in domestic market. With initial outlay for procurement in foreign currency and the significant chunk of sales realization in domestic currency, the company is exposed to the fluctuation in foreign exchange rates which the company does not hedge. Thus, RPML is exposed to fluctuations in the value of rupee against foreign currency which may impact its profitability margins. Moreover, any change in government policies, either domestic or international is likely to affect the company's revenues. Earnings are also susceptible to strict regulatory policies relating to tariff barriers (custom duty), non-tariffs barriers (restriction on the quality of imports), antidumping duties, international freight rates and port charges.

**Susceptibility to volatility in raw material prices:** The company is susceptible to the volatility in the prices of steel for both finished goods and the raw material. The major raw materials for the company are iron & steel scraps, sponge iron and ferro alloys, the prices of which remain volatile. The company does not enter into any long-term contract for procurement of these raw materials and sources its raw material on requirement basis from the open market and from local traders as well as through imports at the prevailing market prices thereby, exposing it to any sharp volatility in prices, which may also have a direct bearing on operating margins of the company. Though, the company tries to pass on the price volatility to the end users, any sudden adverse fluctuations in raw material prices which the company is unable to pass on to the customers completely owing to company's presence in highly competitive industry, may adversely affect the profitability margins of the company.

**Highly competitive and cyclical nature of industry:** The steel industry is highly competitive due to presence of various organized and unorganized players and limited product diversity due to commodity nature of products. Although, over the years the industry has become more organized with the decline in the share of unorganized players, but margins continue to be under pressure due to fragmentation of the industry. Also, steel is a cyclical industry, strongly correlated to economic cycles since its key users i.e., construction, infrastructure, automobiles and capital goods are heavily dependent on the state of economy. Any fall in the demand, in any of these sectors directly impacts the demand of steel products. The low level of product differentiation in the downstream steel segment further intensifies the competition, leading to lower bargaining power vis-à-vis the customers.

## Key strengths

**Experienced promoters coupled with long track record of operations:** RPML is a family run business. The company is currently managed by Mr. Narain Singla, Mr. Yograj Singla, Mr. Gopal Singla and Mr. Ashish Singla. Mr. Narain Singla (Chairman); is a graduate and holds an experience of more than four decades in the steel industry through his association with RPML and other associate concern namely; "M/s Narain and Company". The other directors; Mr. Yograj Singla and Mr. Gopal Singla are also graduate and holds an experience of more than three decades in the steel industry through their association with RPML. They are ably supported by; Mr. Ashish Singla (son of Mr. Narain Singla) in managing day-to-day operations of the company. The directors have adequate acumen about various aspects of business which is likely to benefit the company in the long run. Thus, long-standing experience and expertise in the industry has enabled them to establish good relationship with customers and suppliers.

**Diversified customer base of the company:** RPML has been operational for more than two decades in the steel products manufacturing business which enable them to establish healthy relationship with its customers. The same is evident, as the company, managed to get repeat orders from its existing customers. However, the customer concentration risk remains moderate, as the top six customers contributes ~40% of the total revenue, with no individual customer contributing more than 20% of total revenue in FY23. Aided by its diversified customer base, the company does not have reliance on any single customer pertaining to its revenue source, which in turn stabilize their financial position, and thereby reduces the risk of financial vulnerability in the near future.

**Growing scale of operations:** RPML scale of operations is growing continuously at a compound annual growth rate (CAGR) of 25.19% for the past five years ending FY23. The RPML's total operating income (TOI) grew from Rs.597.42 crore in FY22 to Rs.734.28 crore in FY23 owing to ample demand for the products resulting in higher quantity sold to the existing customers along with improved sales realization across product categories during the period. Further, the company has achieved total operating income of ~Rs.817.28 crore during 11MFY24 (refers to the period from April 1, 2023 to February 29, 2024; based on provisional results) and is expected to book the total operating income of ~Rs.886.00 crore in FY24. Going forward, the stabilization in steel prices and steady demand from construction and real estate activities and expected growth of steel consumption in the auto sector will also augment the demand for steel in the near future.

**Moderate capital structure and debt coverage indicators:** As on March 31, 2023, the debt profile of the company comprises of term loan of Rs.26.91 crore, unsecured loans of Rs.1.91 crore, working capital bank borrowings of Rs.30.93 crore and LC backed acceptances/buyer's credit of Rs.31.90 crore. The overall gearing ratio stood at 1.20x as on March 31, 2023 as against 2.60x as on March 31, 2022. As on February 29, 2024, it stood at 1.37x owing to increase in debt levels due to enhancement in its working capital limits to support its growing scale of operations. However, despite increase in debt levels, the overall gearing is expected to remain at moderate levels in the near to medium term. Further, on account of moderate gross cash accruals (GCA) and limited debt levels, the debt coverage indicators of the company continue to remain moderate as marked by interest coverage ratio and total debt to GCA which stood at 3.11x and 7.39x respectively, in FY23 as against 3.65x and 8.34x respectively, in FY22. Further, during 11MFY24, it stood at 2.71x and 8.17x respectively.

**Moderate operating cycle:** The operating cycle of the company stood moderate at 41 days for FY23 on account of moderate inventory and collection period. The company is required to maintain an adequate inventory in the form of raw materials to ensure smooth production process as well as maintain stock of finished products in order to meet the immediate demand of the customers which resulted in an average inventory holding period of around 33 days for FY23. The company offers a credit period of around one month to its customers resulting in an average collection period of 12 days for FY23. The company has to make advance payments for the procurement of the raw materials against the imports from overseas countries whereas for the local suppliers, it gets credit period of around a week. The working capital borrowings of the company remained almost 60%-70% utilized during the past 12 months ending July, 2024.

**Liquidity:** Adequate

The liquidity position of the company remained adequate characterized by sufficient cushion in accruals vis-à-vis repayment obligations. The company has reported net cash accruals (NCA) to the extent of Rs.12.39 crore during FY23, Rs.13.96 crore during 11MFY24 and is expected to generate NCA of Rs.16.52 crore for FY24 against repayment obligations of Rs.9.05 crore in same year. Further, the average utilization of its working capital limits stood around 60%-70% for the past 12 month's period ending July, 2024. However, the company has low free cash and bank balances of Rs.0.32 crore as on March 31, 2023.

## Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Policy in respect of non-cooperation by issuers
Rating Outlook and Rating Watch
Manufacturing Companies
Non Ferrous Metal
Financial Ratios – Non financial Sector
Short Term Instruments
Iron & Steel
Wholesale Trading

## About the company and industry

## Industry classification

| Macro Economic Indicator | Sector | Industry | Basic Industry |
|---|---|---|---|
| Commodities | Metals & Mining | Ferrous Metals | Iron & Steel |

Punjab based R. P. Multimetals Private Limited (RPML) was incorporated in December, 1997 as a private limited company. The company is currently managed by Mr. Narain Singla, Mr. Yograj Singla, Mr. Gopal Singla and Mr. Ashish Singla. The company is engaged in the manufacturing of steel products such as Mild Steel (MS) billets, Hot Rolled (HR) Coil, Electric resistance welded (ERW) pipes, Mild Steel (MS) bars, Mild Steel (MS) round bars, etc. The manufacturing facility of the company is located at Mandi Gobindgarh, Punjab having a combined installed capacity to manufacture 5,67,000 MT per annum of steel products as on March 31, 2023. Besides this, the company is also engaged in the trading of iron & steel scraps and billets which contributes ~9% in FY23 of the total sales based on available opportunities. The company has also set up a unit at is existing vicinity for the extraction of zinc having an installed capacity of 8.5 MT per day (MTPD) from flue gas cleaning residue (APCD dust) which started its operation from April, 2023. The company sells its products to different rolling mills and traders located across Punjab, Delhi NCR, Uttar Pradesh, Haryana, Gujarat, Rajasthan, etc.

The company is having two associate concerns namely; "M/s R. P. Steel Tubes" (established in 2008) engaged in the manufacturing of Mild Steel (MS) Bars, Mild Steel (MS) Flats and Electric Resistance Welded (ERW) pipes and "M/s Narain & Company" (established in 1980) engaged in the trading of iron and steel products which includes angles, billets, beam, channels, flats, etc. It is an authorized distributor of "Rashtriya Ispat Nigam Limited (RINL)" in Northern India region.

| Brief Financials (₹ crore) | March 31, 2022 (A) | March 31, 2023 (A) | 11MFY24 (Prov.)* |
|---|---|---|---|
| Total operating income | 597.42 | 734.28 | 817.28 |
| PBILDT | 18.15 | 18.59 | 21.83 |
| PAT | 5.54 | 6.37 | 6.81 |
| Overall gearing (times) | 2.60 | 1.20 | 1.37 |
| Interest coverage (times) | 3.65 | 3.11 | 2.71 |

A: Audited; Prov.: Provisional; Note: 'the above results are latest financial results available'
*refers to the period from April 1, 2023 to February 29, 2024.

**Status of non-cooperation with previous CRA:** Brickwork Ratings has migrated the ratings assigned to the bank facilities of R. P. Multimetals Private Limited to the "Issuer Not-Cooperating" category vide its press release dated April 26, 2024 on account of its inability to carryout review in the absence of requisite information from the company.

**Any other information:** Not Applicable

**Rating history for the last three years:** Please refer Annexure-2

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

**Complexity level of the various instruments rated:** Annexure-4

**Lender details:** Annexure-5

## Annexure-1: Details of instruments/facilities

| Name of the Instrument | ISIN | Date of Issuance (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned along with Rating Outlook |
|---|---|---|---|---|---|---|
| Fund-based - LT-Cash Credit | | - | - | - | 45.00 | CARE BB+; Stable; ISSUER NOT COOPERATING* |
| Fund-based - LT-Term Loan | | - | - | February, 2027 | 14.15 | CARE BB+; Stable; ISSUER NOT COOPERATING* |
| Fund-based - LT-Term Loan | | - | - | January, 2028 | 6.35 | CARE BB+; Stable; ISSUER NOT COOPERATING* |
| Non-fund-based - ST-ILC/FLC | | - | - | - | 50.00 | CARE A4+; ISSUER NOT COOPERATING* |

*Issuer did not cooperate; based on best available information.

## Annexure-2: Rating history for the last three years

| Sr. No. | Name of the Instrument/ Bank Facilities | Current Ratings | | | Rating History | | | |
|---|---|---|---|---|---|---|---|---|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2024-2025 | Date(s) and Rating(s) assigned in 2023-2024 | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 |
| 1 | Fund-based - LT-Term Loan | LT | 14.15 | CARE BB+; Stable; ISSUER NOT COOPERATING* | 1)CARE BBB-; Stable (02-Apr-24) | 1)CARE BBB-; Stable (04-Aug-23) | - | - |
| 2 | Fund-based - LT-Cash Credit | LT | 45.00 | CARE BB+; Stable; ISSUER NOT COOPERATING* | 1)CARE BBB-; Stable (02-Apr-24) | 1)CARE BBB-; Stable (04-Aug-23) | - | - |
| 3 | Non-fund-based - ST-ILC/FLC | ST | 50.00 | CARE A4+; ISSUER NOT COOPERATING* | 1)CARE A3 (02-Apr-24) | 1)CARE A3 (04-Aug-23) | - | - |
| 4 | Fund-based - LT-Term Loan | LT | 6.35 | CARE BB+; Stable; ISSUER NOT COOPERATING* | 1)CARE BBB-; Stable (02-Apr-24) | 1)CARE BBB-; Stable / CARE A3 (04-Aug-23) | - | - |

*Issuer did not cooperate; based on best available information.
LT: Long term; ST: Short term; LT/ST: Long term/Short term

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

## Annexure-4: Complexity level of the various instruments rated

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

## Annexure-5: Lender details

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| To view the lender wise details of bank facilities please click here |

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

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**About us:**
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.



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