

Rajasthan Ispat Udyog

March 11, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	2.57 (Reduced from 4.62)	CARE BBB-; Negative	Reaffirmed
Long-term / Short-term bank facilities	35.00	CARE BBB-; Negative / CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Rajasthan Ispat Udyog (RIU) continue to derive strength from experienced promoter with long-standing presence in steel trading business, benefit of authorized dealership of Steel Authority of India Limited (SAIL), established relationship with customers and adequate liquidity during FY24 (Audited, FY refers to the period April 01 to March 31).

However, the above strengths are partially offset with moderate scale of operations and profitability, moderate capital structure and debt coverage indicators coupled with its working capital-intensive operations. Ratings also remain constrained on account of proprietorship nature of constitution, profitability susceptible to steel price fluctuation and economic downturn along with RIU's presence in competitive and fragmented steel trading business.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Volume driven growth in scale of operations marked by total operating income (TOI) by over ₹1,000 crore with improvement in PBILDT margin of 5% or more
- Improved capital structure with overall gearing below 1.20 times sustaining debt coverage indicators marked by total debt to GCA below 4 times

Negative factors

- Substantial decline in prices of steel resulting decline in TOI below ₹400 crore.
- Decline in PBILDT margin below 2.00%.
- Any debt-funded capex or withdrawal of capital leading to deterioration in capital structure marked by overall gearing beyond 2x.

Analytical approach: Standalone

Outlook: Negative

The outlook on the long-term rating for RIU continues to remain "Negative", due to the ongoing challenges in the steel industry and the expectation of sustained thin profitability margins. However, the outlook may be revised to "Stable" with improvement in profitability margins along with sustained support of promoters' family in form of unsecured loans.

Detailed description of key rating drivers:

Key strengths

Experienced promoter with long standing presence in steel trading business

RIU was established by proprietor Mr. Bhagwat Prasad Khandelwal in 1970. He held over five decades of experience in iron and steel industry. However, with his in FY22, operations are managed by his son, Ritesh Khandelwal, who holds healthy experience of over three decades in the steel industry through his association with RUI as a part of management and who supported RUI grow significantly. Entity is also supported by Hitesh Khandelwal (brother of Ritesh Khandelwal), who is also actively engaged into operations holding experience of over three decades in the steel industry through his association with RUI. They also hold the directorship of Rajasthan Iron House Private Limited.

Reputed & diversified customer base

Over the decades, RIU has established a long-term relationship across various customers. The customer profile of the firm is widely diversified with top five customers contributing to 10%- 15% of the total revenue in FY24 and for 9MFY25. RIU is into steel trading, which procures material from manufacturers and distributes it to the sub agents. The firm operates through a network of sub dealers and direct selling associates. Over the years, the firm has been able to establish a good relationship with both its suppliers and customers.

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

Authorised dealership of SAIL

RIU is an authorised distributor for SAIL (renewed every three years). RIU has diversified product portfolio, and it procures steel bars, hot-rolled products and plates, structural components (beams, joists, channels, and angles) from SAIL. Firm is an authorized distributor to SAIL. RUI has agreement with SAIL for monthly off-take of 7000 MTPM of steel products. SAIL supplies ~85% of products sold by RIU. SAIL provides monthly/quarterly discounts to RIU, and revises prices monthly for all products.

Key weaknesses

Moderate scale of operations and profitability

Scale of operations marked by TOI moderated and remained at ₹789.34 crore during FY24 as against ₹910.06 crore during FY23 due to lower sales realization during FY24. For 9MFY25, RIU reported TOI of ₹523.04 crore and expects to achieve ₹700 crore for FY25. Realizations declined with decline in steel prices led by increase in competition led by higher steel imports. Profitability marked by PBILDT margins remained moderate at 2.24% during FY24 as against 2.50% during FY23. RIU's wholesale trading nature of business also limits the profitability marked by profit after tax (PAT) margin of 0.50% during FY24 against 0.81% in FY23. RIU has reported PBILDT margin and PAT margin of 2.59% and 0.64% in 9MFY25.

Moderate capital structure and debt coverage indicators

RIU's capital structure improved marginally and remained moderate marked by overall gearing of 1.57x as on March 31, 2024, against 1.71x as on March 31, 2023, due to scheduled repayment of term loans and repayment of unsecured loans from promoter and related parties. Unsecured loans remained high at ₹61.47 crore as on March 31, 2024 (PY: ₹64.37 crore); however, ~₹55 crore belongs to the promoter's family, reducing the firm's reliance on bank borrowings. The debt coverage metrics deteriorated marked by total debt/ gross cash accruals (TDGCA) of 23.56 years for FY24 against 13.83 years for FY23 mainly on account of reduction in GCA level in FY24. Interest coverage ratio also deteriorated and remained moderate at 1.37x in FY24 against 2.20x in FY23.

Working capital intensive nature of operations

RIU's operations are working capital intensive in nature with considerable amount of funds in trade receivables and inventories. The firm maintains inventory level of 45-50 days for different products according to market demand and customer specifications. The inventory period remained at 61 days in FY24 (against 51 days in FY23). The average collection period remained at 13 days in FY24 (against 10 days in FY23). On the other hand, the creditors' period continued to remain low at five days in FY24 (against five days in FY23), as the firm procures majorly from SAIL and RINL where supply is on advances. Operating cycle remained at 69 days for FY24 against 56 days in FY23. Consequently, RIU have high dependence on working capital limits and unsecured loans which are largely from promoters. Utilisation of working capital limits remained 85% for trailing 12 months ended December 2024.

Proprietorship nature of constitution

RUI's constitution as a proprietorship concern with moderate net worth base restricts its overall financial flexibility in terms of limited access to external funds for future expansion plans. There is inherent risk of possibility of withdrawal of capital and dissolution of the firm in case of death/insolvency of proprietor. Funds were withdrawn from capital amounting to ₹1.89 crore in FY24 and ₹0.35 crore in FY23.

Profitability susceptible to price fluctuation of steel products and economic downturn

Steel is a cyclical industry, and prices of steel products are volatile in nature and driven by the demand-supply scenario prevailing on a particular day and by global prices. The firm is experiencing high fluctuation in the steel prices, which is affecting the firm's profitability margins. These margins are on a lower side due to the trading nature of operations. However, the price fluctuation risk is mitigated to certain extent as the firm has back-to-back order arrangement where firm places order with suppliers upon receipt of order from its customers.

Operations in highly competitive and fragmented nature of operations

Steel trading is characterised as highly competitive, fragmented, and cyclical business, which is strongly correlated to economic cycles. Metal trading industry has low entry barriers and there are huge number of unorganised players in the industry resulting in large competition. However, the firm enjoys competitive advantage being authorised distributor of SAIL and RINL's products in the regions it operates in.

Liquidity: Adequate

Liquidity position remained adequate marked by adequate cash accruals, moderate operating cycle, and liquidity ratios and healthy cash flow from operations. GCA remained adequate at ~₹4.00 crore in FY24 against debt repayment obligation of ~₹2.00 crore arising in FY25. Operating cycle remained moderate at 69 days in FY24 against 56 days in FY23 due to increase in inventory days. Current ratio stood comfortable at 4.31x as on March 31, 2024. Cash and bank balance remained low at ₹0.05 crore as on March 31, 2024, against ₹0.18 crore as on March 31, 2023. Net CFO remained at ₹18.33 crore in FY24 against negative ₹14.33 crore in FY23. Average utilisation of working capital limits remained at 85% for past 12 months ended December 31, 2024.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

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About company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Commercial Services & Supplies	Trading & Distributors

Jaipur (Rajasthan) based proprietorship firm, Rajasthan Ispat Udyog (RIU) is established in 1970 by Bhagat Prasad Khandelwal and with the demise of Bhagat Prasad Khandelwal, his son Ritesh Khandelwal took over the firm. Presently, overall operations are managed by Ritesh Khandelwal as a proprietor and support of his brother Hitesh Khandelwal. RIU is engaged in trading steel products such as hot rolled sheets, hot rolled plates, angles, channels, thermo-mechanically treated (TMT) bars, and Beams. RIU is an authorised distributor for Steel Authority of India Limited (SAIL).

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	910.06	789.34	523.04
PBILDT	22.75	17.65	13.57
PAT	7.40	3.98	3.35
Overall gearing (times)	1.71	1.57	1.42
Interest coverage (times)	2.20	1.37	1.64

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA:

- Acuite has continued the rating assigned to bank facilities of RIU under 'Issuer Not Cooperating' category vide its press release dated December 28, 2024, considering its inability to carry out a rating exercise in the absence of the requisite information from the firm.
- Brickwork has continued the rating assigned to bank facilities of RIU under 'Issuer Not Cooperating' category vide its press release dated October 01, 2024, considering its inability to carry out a rating exercise in the absence of the requisite information from the firm.

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Working capital Term Loan		-	-	31/03/2026	2.57	CARE BBB-; Negative
Fund-based - LT/ ST-Cash Credit		-	-	-	35.00	CARE BBB-; Negative / CARE A3

Annexure-2: Rating history for 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/ ST-Cash Credit	LT/ST	35.00	CARE BBB-; Negative / CARE A3	-	1)CARE BBB-; Negative / CARE A3 (20-Mar-24) 2)CARE BBB-; Stable / CARE A3 (12-Apr-23)	-	-
2	Fund-based - LT-Working capital Term Loan	LT	2.57	CARE BBB-; Negative	-	1)CARE BBB-; Negative (20-Mar-24) 2)CARE BBB-; Stable (12-Apr-23)	-	-

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Working capital Term Loan	Simple
2	Fund-based - LT/ ST-Cash Credit	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

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

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