

RR MetalMakers India Limited

March 11, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	6.50	CARE B+ (RWD)	Revision in rating watch from Rating Watch with Negative Implications to Rating Watch with Developing Implications
Short Term Bank Facilities	18.50	CARE A4 (RWD)	Revision in rating watch from Rating Watch with Negative Implications to Rating Watch with Developing Implications

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has removed the rating of bank facilities of RR MetalMakers India Limited (RRMIL) from "Rating Watch with Negative Implications (RWN)" following company's announcement that the NCLAT had passed an order on February 27, 2025, setting aside the impugned order passed by NCLT on April 22, 2024, and accordingly, the Company is released from the rigours of CIRP process.

CARE has subsequently placed the rating of bank facilities of RRMIL on "Rating Watch with Developing Implications (RWD)" following the company's announcement dated February 28, 2025, that the directors have considered and approved, in-principle, the proposal for merger of RRMIL with RKB Global Limited (RKB), an unlisted entity, of which promoters of the company are similar. Further, it is also proposed to merge RKB Steel Private Limited and RR Life Care Private Limited, the wholly owned subsidiaries of RKB Global Limited, with RKB along with RRMIL. The proposed merger would bring synergies in business and reduction in costs of the merged entity. CARE Ratings will continue to closely monitor developments on this announcement and would take a view accordingly on RRMIL's ratings post-merger.

The reaffirmation in the ratings assigned to the bank facilities of RRMIL are constrained by moderate albeit fluctuating scale of operations and low networth base, thin profit margins, leveraged capital structure and weak debt coverage indicators. The ratings further considered by its working capital-intensive nature of operations, stretched liquidity, highly competitive and cyclical nature of industry and susceptibility of profit margins to price fluctuation in prices of traded products.

The ratings, however, derive strength from the experienced & resourceful promoters and their long track record of operations in steel industry. The established relationship with diversified customer base and moderately concentrated supplier base also provides strength to its ratings.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in scale of operations with total operating income (TOI) exceeding Rs.150 crore on sustained basis.
- Improvement in operating margin to above 5% and net profit margin to above 3% on a sustained basis.
- Improvement in capital structure with overall gearing below 2.0x on sustained basis.
- Timely conversion of iron-ore inventory into sales with profits.

Negative factors

- Substantial elongation in working capital cycle marked by operating cycle days of above 75 days.
- Deterioration of current ratio to less than 1.00x on sustained basis.
- Additional debt being availed resulting in deterioration in overall gearing exceeding 5.00x on a sustained basis.
- Any adverse outcome of court proceedings impacting the liquidity position of the company

Analytical approach: Standalone

Outlook: Not Applicable

Detailed description of key rating drivers:

Key weaknesses

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

Moderate albeit fluctuating scale of operations and low network base

The TOI of RRMIL remained moderate and fluctuating in the past. RRMIL was previously involved in trading of steel products and iron ore. However, in FY21, there were several restrictions on the trading of iron ore. This coupled with the fluctuating demand and prices of steel led to fluctuating scale of operation in past (FY19-22). The TOI of RRMIL improved from Rs. 84.17 crore in FY23 to Rs. 96.39 crore in FY24, (registering an improvement of 14.52%). Further during 9MFY25 (from April to December 2024) the company recorded sales of Rs.50.39 crore. Further, the tangible net-worth base remained low at Rs. 6.59 crore as on March 31, 2024 (vis-à-vis Rs. 5.54 crore as on March 31, 2023).

Moderate profit margin

The profitability margins of RRMIL remained low and fluctuating as it directly linked with the raw material prices of steel. Further, operating profit margin of RRMIL largely remained moderate majorly due to trading nature of the business where there is limited value addition along with intense competition in the steel industry. The PBILDT margin, improved from 3.43% in FY23 to 6.16% in FY24 mainly on account of improved realisations on traded goods. With above coupled with high interest cost and depreciation cost, the company had reported net loss in FY23. However, in FY24, the PAT margin turned positive at 1.09% due to improvement in PBILDT margin. Further for 9MFY25, The PBILDT and PAT margins stood at 8.23% and 2.46% respectively.

Leveraged capital structure and debt coverage indicators

The capital structure of the company continues to remain leveraged marked by higher working capital borrowings and higher purchase of goods on LC given its trading nature of business. Also, given its limited value addition as a result of trading nature of business debt coverage indicators continue to remain weak. RRMIL's overall gearing stood at 4.74x as on March 31, 2024, as against 6.42x as on March 31, 2023. Further, the company has dropped the capex plan outlined during last year and there is no ongoing or planned capex in the near future.

Further, total debt to gross cash accruals (TD/GCA) stood remained weak at 20.01x in FY24 as against negative GCA in FY23. The interest coverage ratio improved marginally and stood low at 1.35x in FY24 (vis-à-vis 0.72x in FY23).

Working capital intensive nature of operations

The operations of RRMIL stood working capital intensive in nature marked by gross current assets period of 168 days in FY24 (vis-à-vis 155 days in FY23) due to majority of funds being utilized in receivables and inventory. The company is required to maintain a steady level of inventory for a wide portfolio of products in order to meet the regular flow of demand, thus inventory period improved albeit stood elongated at 83 days in FY24 (vis-à-vis 98 days in FY23). The company also provides a credit period 30-45 days to its customers due to intense competition in the industry. Thus, collection period also stood at 37 days in FY24 (vis-à-vis 49 days in FY23).

Highly competitive and cyclical nature of industry

RRMIL is operating in a highly competitive industry due to the presence of various organized and unorganized players involved in the trading of various steel products. Although, over the years the industry has become more organized with the share of unorganized players reducing, but margins continue to be under pressure due to fragmentation of the industry. Also, 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.

Key strengths

Long track record of operations in manufacturing & trading of steel products

Established in the year 1995, RR Metalmakers is primarily engaged in trading of iron ore, steel and steel products. So RRMIL possesses a long track record of about three decades of operations in manufacturing & trading of various steel products. Until FY21, the company was involved in only trading of steel and iron products. However, since FY21 onwards, it set up its manufacturing units in Gujarat which has a capacity of 800 MT per month and started manufacturing ERW pipes and roofing sheets. The company has a portfolio of over 20 products and caters to customers across the globe over the years. As a result of its long-standing existence, the company has established long-term relationships with its various customers, suppliers and other stakeholders.

Experienced and resourceful promoters

The company is promoted by Mr. Virat Shah and Mr. Alok Shah. RRMIL possesses a long track record of about three decades of operations in manufacturing & trading of various steel products. The company has a portfolio of over 20 products and has catered to over customers across the globe over the years. As a result of its long-standing existence, the company has established long-term relationships with its various customers, suppliers and other stakeholders.

Established relationship with diversified customer base and moderately concentrated supplier base

RRMIL has a portfolio of over 20 products with products ranging from profile sheets, corrugated sheets and ERW pipes. As a result, the customer base for the company remains diversified. The customer profile of the company is well diversified with the top 10 customers comprising 14.91% of the net sales in FY23. The supplier profile of the company is also well diversified, however TATA steel contributed to 34.57% of the Top 10 purchases in FY23.

Liquidity: Stretched

The liquidity position remained stretched marked by tightly matched accruals to repayment obligations. The average utilization stood at 75% for the past 12 months ended Feb-2025. The current ratio stood low at 1.04x as on March 31, 2024, (vis-à-vis 0.99x as on March 31, 2022) while the quick ratio stood weak at 0.48x as on March 31, 2024 (vis-à-vis 0.39x as on March 31, 2023). The cash flow from operation stood positive at Rs. 7.15 crores in FY24 (vis-à-vis Rs. 3.61 crore in FY23). The company also had cash and liquid investments of Rs. 2.79 crores as March 31, 2024.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

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](#)

[Iron & Steel](#)

[Wholesale Trading](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Metals & Mining	Diversified Metals	Diversified Metals

Established in the year 1995, RR Metalmakers is primarily engaged in trading of iron ore, steel and steel products. The company is promoted by Mr. Virat Shah and Mr. Alok Shah. RRMIL is primarily engaged in trading of roofing sheets, galvanised coils, wire rods etc. The company is an authorized distributor of JSW, TATA and Arcelormittal through its facilities located at Wada and its manufacturing facility is located at Ahmedabad.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	December 31, 2024 (UA)
Total operating income	84.17	96.39	50.39
PBILDT	2.88	5.94	4.15
PAT	-1.03	1.05	1.24
Overall gearing (times)	6.42	4.74	NA
Interest coverage (times)	0.72	1.35	1.45

A: Audited UA: Unaudited NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

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-Cash Credit		-	-	-	6.50	CARE B+ (RWD)
Non-fund-based - ST-Letter of credit		-	-	-	18.50	CARE A4 (RWD)

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	Non-fund-based - ST-Letter of credit	ST	18.50	CARE A4 (RWD)	1)CARE A4 (RWN) (09-May-24)	1)CARE A4 (13-Mar-24)	-	-
2	Fund-based - LT-Cash Credit	LT	6.50	CARE B+ (RWD)	1)CARE B+ (RWN) (09-May-24)	1)CARE B+; Stable (13-Mar-24)	-	-

LT: Long term; ST: Short 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-Cash Credit	Simple
2	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

To view the 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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About us:

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