

JANUARY 28, 2015

CARE REAFFIRMS THE RATING ASSIGNED TO BANK FACILITIES OF RMG ALLOY STEEL LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	257.40 (enhanced from 245.02)	CARE D (Single D)	Reaffirmed
Short term Bank Facilities	155.98 (reduced from 167.61)	CARE D (Single D)	Reaffirmed
Total Facilities	413.38		

Rating Rationale

The ratings continue to factor in the ongoing delays in servicing of debt obligations by the company on account of its weak liquidity position as a result of continuing net losses.

Background

Promoted by Mr. V.C. Saraf and Mr. R.C. Saraf, RMG Alloy Steel Ltd (RMGL) is engaged in manufacturing of alloy steel and steel seamless pipes/tubes at its facilities located in Jhagadia, Gujarat. RMGL's produced steel is mainly used for auto-manufacturing/auto components, earth-moving equipment and bearing applications, while seamless pipes and tubes find application mainly in boilers, which are required in the power sector. Due to inefficiencies in the plant on account of lack of critical equipment, the operations of the company were unprofitable. Subsequently, the company became a sick unit in August 1999 and has been under the purview of the Board for Industrial and Financial Reconstruction (BIFR) since then. In 2009, the Welspun group, having experience in steel industry and clientele in oil & gas and petroleum industry, was inducted as a strategic partner of RMGL for revival of the company.

During FY14 (refers to the period April 1, 2013 to March 31, 2014), RMGL posted a total income of Rs.419.13 crore with a net loss of Rs.34.12 crore. Further, the company posted a total income of Rs.209.91 crore and a net loss of Rs.34.37 crore in H1FY15 (refers to the period April 1, 2014 to September 30, 2014).

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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