

## RMG Alloy Steel Ltd

March 03, 2017

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	257.40	CARE D	Reaffirmed
Short-term Bank Facilities	155.98	CARE D	Reaffirmed
<b>Total Facilities</b>	<b>413.38</b> <b>(Rs. Four hundred Thirteen crore and Thirty Eight Lakhs only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The ratings 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.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

**Ongoing delays in debt servicing** – On account of continued operating losses, there have been instances of delay in interest payment on the term loan and overdrawals in working capital limits.

**Analytical approach:** Standalone

### Applicable Criteria

[Rating Methodology-Manufacturing Companies](#)

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

[CARE Methodology for Steel Companies](#)

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

### About the Company

RMG Alloy Steel Ltd (RMGL) is engaged in manufacturing of alloy steel and steel seamless pipes/tubes at its facilities located in Jhagadia, Gujarat. The steel produced by RMGL 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 the steel industry and clientele in oil & gas and petroleum industry, took the ownership of RMGL.

**Status of non-cooperation with previous CRA: Not Applicable**

**Any other information: Not Applicable**

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

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

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**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
Term Loan-Long Term	-	-	April 2023	182.40	CARE D
Non-fund-based - ST-BG/LC	-	-	-	155.98	CARE D
Fund-based - LT-Cash Credit	-	-	-	75.00	CARE D

**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 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Term Loan-Long Term	LT	182.40	CARE D	-	1)CARE D (31-Mar-16)	1)CARE D (28-Jan-15)	1)CARE D (30-Sep-13)
2.	Non-fund-based - ST-BG/LC	ST	155.98	CARE D	-	1)CARE D (31-Mar-16)	1)CARE D (28-Jan-15)	1)CARE D (30-Sep-13)
3.	Fund-based - LT-Cash Credit	LT	75.00	CARE D	-	1)CARE D (31-Mar-16)	1)CARE D (28-Jan-15)	1)CARE D (30-Sep-13)

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