

RMG Alloy Steel Ltd

April 6, 2018

Ratings

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

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 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

[Criteria on assigning Outlook to Credit Ratings](#)

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

[Criteria for Short Term Instruments](#)

[Rating Methodology- Manufacturing companies](#)

[Financial ratios : Non-financial sector](#)

About the Company

Promoted by Mr. V.C. Saraf and Mr. R.C. Saraf, RMGL is engaged in manufacturing of carbon and alloy steel seamless pipes/tubes with captive facilities for steel melting and continuous bloom/ingot casting at 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. However pursuant to RBI's circular dated February 12, 2018; the SDR scheme had been repealed. The company will now explore further options to finalize resolution plans.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	269.65	238.42
PBILDT	-11.74	-11.88
PAT	-60.07	-58.52
Overall gearing (times)	-ve	-ve
Interest coverage (times)	-ve	-ve

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

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

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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

About CARE Ratings:

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Disclaimer

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Term Loan-Long Term	LT	182.40	CARE D	-	-	1)CARE D (03-Mar-17)	1)CARE D (31-Mar-16)
2.	Non-fund-based - ST-BG/LC	ST	155.98	CARE D	-	-	1)CARE D (03-Mar-17)	1)CARE D (31-Mar-16)
3.	Fund-based - LT-Cash Credit	LT	75.00	CARE D	-	-	1)CARE D (03-Mar-17)	1)CARE D (31-Mar-16)

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