

Rosha Alloys Private Limited

January 23, 2019

Rating			
Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	7.50	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus: Outlook: Stable; ISSUER NOT COOPERATING*)	Issuer not cooperating, Based on best available information
Total	7.50 (Rs. Seven crore and Fifty Lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Rosha Alloys Private Limited to monitor the rating(s) vide e-mail communications/ letters dated December 24, 2018, December 20, 2018, December 18, 2018, December 17, 2018, December 06, 2018 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information. In line with the extant SEBI guidelines CARE's rating on Rosha Alloys Private Limited's bank facilities will now be denoted as **CARE B+; Stable; ISSUER NOT COOPERATING**.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings take into account small scale of operations, low profitability margin, leveraged capital structure, weak debt coverage indicators, raw material price fluctuation risk, highly competitive and fragmented industry, experienced promoters and moderate operating cycle.

Detailed description of the key rating drivers

At the time of last rating in April, 2018 the following were the rating strengths and weaknesses:

Key Rating Weaknesses

Small scale of operations

Despite long track record of operations, the company's scale of operations has remained small marked by total operating income (TOI) of Rs.34.22 crore in FY17 (refers to the period April 01 to March 31). Further, the company's networth base was relatively small at Rs.2.46 crore as on March 31, 2017. The small scale limits the company's financial flexibility in times of stress and deprives it from scale benefits. Additionally, the company has reported total operating income of Rs. 29.96 crore with Profit before tax (PBT) of Rs. 0.24 crore in 9MF18 (Provisional).

Low profitability and Leveraged capital structure

The company's profitability margins have been historically on the lower side owing to the low value addition and intense market competition given the highly fragmented nature of the industry. This apart, interest burden on external borrowing also restricts the net profitability of the company. The profitability margins of the company stood low marked by PBILDT margin and PAT margin of 2.45% and 0.08% respectively in FY17.

The capital structure of the RAP stood leveraged with overall gearing ratio of 2.36x as on March 31, 2017 mainly on account of company's reliance on bank borrowings to fund various working capital requirements of business coupled with low net worth base. The average utilization of cash credit limits remained at 80% for the past 2 month period ended February, 2018.

The debt coverage indicators stood weak marked by total debt to GCA of 31.61x for FY17 and interest coverage ratio of 1.31x in FY17.

Raw material price fluctuation risk

The major raw material for the company is iron & steel scrap which is sourced from the local market on spot price basis. The input prices over the years have shown volatile trends. RAP is thus exposed to risks associated with volatility in raw material prices owing to absence of any long-term sourcing arrangements.

Highly competitive and fragmented industry

The iron and steel industry in which RAP operates is highly fragmented and competitive in nature marked by the presence of various large and small players. The industry is characterized by low entry barriers due to low technological inputs and easy availability of standardized machinery for the production. The players in the steel industry, especially the small players, do not have any pricing power and are exposed to competition induced pressures on profitability.

Key Rating Strengths

Experienced promoters

The company is promoted by Mr. Harbans Singh Rosha, Mr. Hardev Singh Rosha, Mr. Harinderpal Singh Rosha and Mr. Hardeep Singh Walia collectively having an industry experience of more than one and a half decade through their association with RAP and other firms. The promoters have adequate acumen about various aspects of business which is likely to benefit RAP in the long run. Furthermore, the long track record has aided the company in establishment of strong relationships with suppliers as well as customers.

Moderate operating cycle

The operating cycle of the company stood moderate at 32 days for FY17. RAP is required to maintain inventory mainly in the form of raw material to ensure smooth execution of production as well as traded goods to meet sudden demand of customers. The company also offers a credit period of upto two months to its customers, which resulted in average collection period of 51 days for FY17. Further, the company receives a similar credit period from its suppliers.

Analytical approach: Standalone

Applicable Criteria

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

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

[CARE's methodology for manufacturing companies](#)

[CARE's policy on default recognition](#)

About the company

Rosha Alloys Private Limited (RAP) was incorporated as a private limited company in November 2002 by Mr. Harbans Singh Rosha, Mr. Hardev Singh Rosha, Mr. Harinderpal Singh Rosha and Mr. Hardeep Singh Walia. The company is engaged in the manufacturing of steel ingots at its facility located in Mandi Gobindgarh, Punjab with an installed capacity of 24480 metric tonne of steel ingots per annum as on March 31, 2017. The company was also engaged in the trading of iron & steel scrap.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	49.53	34.22
PBILDIT	0.91	0.84
PAT	0.01	0.03
Overall gearing (times)	2.25	2.36
Interest coverage (times)	1.38	1.31

A: Audited

Status of non-cooperation with previous CRA: ICRA has reviewed RAP's ratings on the best available information and classified RAP as "Not cooperating" vide press release dated October 10, 2018.

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:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own

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CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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
Fund-based - LT-Cash Credit	-	-	-	7.50	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

**Issuer did not cooperate; based on best available information*

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.	Fund-based - LT-Cash Credit	LT	7.50	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE B+; Stable (12-Apr-18)	-	-	-

**Issuer did not cooperate; based on best available information*

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