

Rosha Alloys Private Limited

October 24, 2019

Rating

| Facilities | Amount (Rs. crore) | Rating1 | 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 had, vide its press release dated January 23, 2019, placed the rating of Rosha Alloys Private Limited (RAP) under the 'issuer non-cooperating' category as RAP had failed to provide information for monitoring of the rating. RAP continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated September 30, 2019, September 27, 2019 and September 26, 2019. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

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

Detailed description of the key rating drivers

The rating takes into consideration following strengths and weaknesses (*Updated for the information available from Registrar of Companies*):

Key rating Weaknesses

Modest scale of operations

The scale of operations stood modest marked by a total operating income of Rs 50.60 crore in FY18 (refers to the period April 01 to March 31).

Low profitability margins

The profitability margins of the company stood low marked by PBILDT margin of 1.98% and PAT margin of 0.31% in FY18.

Weak capital structure

The capital structure of RAP continues to remain leveraged at 2.72x as on March 31, 2018. Further, the total debt to GCA also stood weak at 23.19x for FY18. However, the interest coverage ratio stood moderate at 1.59x in FY18.

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.

Analytical Approach—Standalone

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

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)
[Criteria on assigning Outlook to Credit Ratings](#)
[CARE's Policy on Default Recognition](#)
[CARE's methodology for service sector companies](#)
[Financial ratios – Non-Financial Sector](#)

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. Besides RAP, the directors are also engaged in managing another group concerns namely Delight Flour mill Private Limited, Rosha traders, Sohan Singh Rosha & Sons and Shri Ganesh Roller Flour Mill.

| Brief Financials (Rs. crore) | FY17 (A) | FY18 (A) |
|------------------------------|----------|----------|
| Total operating income | 34.22 | 50.60 |
| PBILDT | 0.84 | 1.00 |
| PAT | 0.03 | 0.16 |
| Overall gearing (times) | 2.36 | 2.72 |
| Interest coverage (times) | 1.31 | 1.59 |

A: Audited

Status of non-cooperation with previous CRA: ICRA has conducted the review on the basis of best available information and classified Rosha Alloys Private Limited as "Not Co-operating" vide its press release dated October 10, 2018

Any other information: Not Applicable

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

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 2019-2020 | Date(s) & Rating(s) assigned in 2018-2019 | Date(s) & Rating(s) assigned in 2017-2018 | Date(s) & Rating(s) assigned in 2016-2017 |
| 1. | Fund-based - LT-Cash Credit | LT | 7.50 | CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available | - | 1)CARE B+; Stable; ISSUER NOT COOPERATING* (23-Jan-19) 2)CARE B+; Stable (12-Apr-18) | - | - |

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|--|--|--|--|-------------|--|--|--|
| | | | | information | | | |
|--|--|--|--|-------------|--|--|--|

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

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

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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About CARE Ratings:

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Disclaimer

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