

Rating Update
April 04, 2024 | Mumbai**RR Metalmakers India Limited****Update as on April 04, 2024**

This update is provided in continuation of the rating rational below.

The key rating sensitivity factors for the rating include:

Upward factors

- Increase in revenue and operating margin leading to cash accrual higher than Rs. 2 crores
- Better financial risk profile

Downward factors

- Stretch in the working capital cycle weakening the liquidity with 100% limit utilisation
- Decline in revenue or operating margin leading to fall in net cash accrual

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, CRISIL Ratings seeks regular updates from companies on the business and financial performance. CRISIL Ratings is, however, awaiting adequate information from RR Metalmakers India Limited (RRMIL) which will enable us to carry out the rating review. CRISIL Ratings will continue provide updates on relevant developments from time to time on this credit.

CRISIL Ratings also identifies information availability risk as a key credit factor in the rating assessment as outlined in its criteria 'Information Availability Risk in Credit Ratings'.

About the Company

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Rating Rationale

February 01, 2023 | Mumbai

RR Metalmakers India Limited

Ratings reaffirmed at 'CRISIL B / Stable / CRISIL A4 '

Rating Action

Total Bank Loan Facilities Rated	Rs.25 Crore
Long Term Rating	CRISIL B/Stable (Reaffirmed)
Short Term Rating	CRISIL A4 (Reaffirmed)

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1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its 'CRISIL B/Stable/CRISIL A4' ratings on the bank facilities of RR Metalmakers India Ltd (RRMIL).

The ratings continue to reflect the company's modest scale in the intensely competitive steel trading industry, volatile operating margins and below-average financial risk profile. These weaknesses are partially offset by the extensive experience of the promoters in the steel trading business.

Analytical Approach

For arriving at its ratings, CRISIL Ratings has revised its analytical approach and considered RRMIL on standalone basis, earlier CRISIL Ratings has consolidated the business and financial risk profiles of RRMIL and its subsidiary RR Life Care Pvt Ltd (RRLCPL). The analytical approach is revised as there are no operations in RRLCPL.

Unsecured loans from the promoters of Rs. 2.5 crores are treated as debt as there is no track record of sustenance of these funds in the business.

Key Rating Drivers & Detailed Description

Weakness:

Intensely competitive steel trading industry and volatile operating margins

Intense competition from a large number of players in the steel trading business limits the bargaining power of RRMIL, leading to modest scale of operations and volatile operating margins as highlighted with revenue of Rs. 120-130 crores and operating margin ranging between (1.35%)-5.67% over last 3 fiscals. The company has booked lower operating margins in fiscal 2022 as the operating margins have dipped from 5.67% in fiscal 2021 to 0.56% in fiscal 2022 on account of fluctuation in the raw material prices which the company was not able to pass on to its customers. The company has booked PAT losses.

Below-average financial risk profile

Networth is modest at Rs 5.6 crore as on March 31, 2022 which is expected to remain at similar level in fiscal 2023 due to low profitability. Modest capital structure have kept capital structure aggressive, as reflected in the gearing ratio of 3.61 and total outside liabilities to adjusted networkth (TOLANW) ratio of 8.41 times as on March 31, 2022, because of high reliance on short-term borrowings. TOLANW ratio is estimated at similar level in fiscal 2023. Debt protection metrics remained below average on account of modest operating margin, indicated by interest coverage ratio of 0.32 times in fiscal 2022. With no major debt funded capex plan over the medium term, debt protection metrics is expected to improve over the medium term with interest cover estimated at 1 to 1.2 times in fiscal 2023

Strengths:

Extensive experience of the promoters

Mr. Virat Shah have an extensive experience of over a two decade, his strong understanding of local market dynamics, and healthy relationships with suppliers and customers should continue to support the business.

Liquidity: Stretched

Net cash accruals are expected to be tightly matched with debt obligation of Rs 1.25 and Rs 1.41 crore in fiscals 2024 and 2025, respectively. Bank limit utilisation averaged 90% over the 12 months through December 2022. Cash and bank balances were moderate at Rs. 5.3 crores as on March 31, 2022. Unsecured loans from the promoters stood at Rs. 2.5 crores as of March 31, 2022 and they are willing to infuse funds as unsecured loans as and when required by the business.

Outlook Stable

CRISIL Ratings believes that the company will continue to benefit from its the experience of the management in mitigating risks inherent in the trading business.

Rating Sensitivity factors

Upward factors

- Increase in revenue and operating margin leading to cash accrual higher than Rs. 2 crores
- Better financial risk profile

Downward factors

- Stretch in the working capital cycle weakening the liquidity with 100% limit utilisation
- Decline in revenue or operating margin leading to fall in net cash accrual

About the Company.

RRMIL (earlier Shree Surgovind Tradelink Ltd) was incorporated in 1985 in Ahmedabad and was acquired by Mr Virat Shah and family in 2015. The company trades in steel and iron ore and manufactures steel pipes.

The company is listed on Bombay Stock Exchange.

Key Financial Indicators

As on / for the period ended March 31		H1-2023	2022	2021
Operating income	Rs crore	42.79	124.2	110.68
Reported profit after tax (PAT)	Rs crore	-0.35	-1.9	1.92
PAT margin	%	-0.81	-1.5	1.7
Adjusted debt/adjusted networkth	Times	--	3.61	2.88
Interest coverage	Times	0.83	0.34	2.05

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate %	Maturity date	Issue size (Rs crore)	Complexity level	Rating assigned with outlook
NA	Inland/import letter of credit	NA	NA	NA	18.5	NA	CRISIL A4
NA	Cash credit	NA	NA	NA	6.5	NA	CRISIL B/Stable

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2023 (History)		2022		2021		2020		Start of 2020
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	6.5	CRISIL B/Stable		--	10-03-22	CRISIL B/Stable		--	17-12-20	CRISIL B/Stable /	CRISIL D

											CRISIL A4	
			--	--	--	--	--	29-02-20	Withdrawn (Issuer Not Cooperating)*	--		
			--	--	--	--	--	31-01-20	CRISIL D (Issuer Not Cooperating)*	--		
Non-Fund Based Facilities	ST	18.5	CRISIL A4		--	10-03-22	CRISIL A4	--	17-12-20	CRISIL A4	CRISIL D	
			--	--	--	--	--	29-02-20	Withdrawn (Issuer Not Cooperating)*	--		
			--	--	--	--	--	31-01-20	CRISIL D (Issuer Not Cooperating)*	--		

All amounts are in Rs.Cr.

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

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit	6.5	Union Bank of India	CRISIL B/Stable
Inland/Import Letter of Credit	18.5	Union Bank of India	CRISIL A4

This Annexure has been updated on 08-Feb-23 in line with the lender-wise facility details as on 17-Jan-23 received from the rated entity.

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
Assessing Information Adequacy Risk
Rating Criteria for Retailing Industry
CRISILs Approach to Recognising Default

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