

November 25, 2025

## Rama Steel Tubes Limited: Ratings downgraded to [ICRA]BB+(Stable)/ [ICRA]A4+

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term Fund-based – Cash credit	80.00	80.00	[ICRA]BB+(Stable); downgraded from [ICRA]BBB-(Stable)
Short-term – Non-Fund based - ILC/FLC and BG	30.00	30.00	[ICRA]A4+; downgraded from [ICRA]A3
<b>Total</b>	<b>110.00</b>	<b>110.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

Rama Steel Tubes Limited (RSTL) announced its financial results of Q2 FY2026 and H1 FY2026 on November 14, 2025. The rating downgrade factors in the weaker-than-expected operating performance of RSTL in H1 FY2026, marked by continued pressure on operating margins and deterioration in debt coverage indicators. The company reported operating margins of ~1.1% in H1 FY2026, significantly lower than earlier expectations of recovery to >3%, owing to sustained weakness in the manufacturing segment and limited contribution from trading gains. This follows the moderation witnessed in FY2025, when margins declined to ~2.8% from 5.7% in FY2024, primarily due to inventory losses arising from sharp correction in steel prices and intense competition.

The subdued profitability has resulted in weaker debt coverage metrics, with the interest coverage ratio reported at ~1.0 times in H1 FY2026, compared to 2.5 times in FY2025 and 2.8 times in FY2024. Further, the company's working capital intensity remains elevated at ~32%, driven by high advances to suppliers and inventory holding requirements, which continue to exert pressure on liquidity. The reduction in fund-based limits to Rs. 80 crore from Rs. 125 crore earlier has further constrained the liquidity buffer. Also, disruption in operations in the Nigerian step-down subsidiary impacted the working capital requirements.

The ratings, however, continue to derive comfort from RSTL's experienced management, long track record in the steel pipes industry, diversified product portfolio, and strategically located manufacturing facilities, which support cost efficiencies. The company's efforts to diversify into new verticals such as solar power and defence remain at a nascent stage, and any large debt-funded investment in these areas would be credit negative.

Going forward, improvement in operating margins, debt coverage indicators, and liquidity profile will remain key rating monitorables. ICRA understands company has raised equity worth Rs 87.5 crore in H1FY2026, which would be used to part fund the acquisition plans of the entity. ICRA will continue to monitor the overall acquisition cost, operating profile of the acquiree entity and funding plans.

The Stable outlook reflects ICRA's expectation that the company's established market position in the ERW pipe segment with increasing focus on value-added products, entry into diversified verticals, and experienced management will support business stability.

### Key rating drivers and their description

#### Credit strengths

**Geographically diversified manufacturing presence and product profile** - RSTL operates multiple manufacturing facilities strategically located across different regions, which helps reduce logistics costs and ensures proximity to key markets. Its

product portfolio includes a wide range of steel pipes and tubes (black pipes, galvanized pipes), cold rolled coils, sheets, and structural engineering products, catering to diverse end-user industries such as infrastructure, telecom, and construction. This diversification mitigates dependence on any single product or geography.

**Established track record of operations and experienced management** - The company has a long-standing presence in the steel pipes industry, supported by an experienced management team. This track record has enabled RSTL to build strong relationships with customers and suppliers, ensuring business continuity even during challenging market conditions.

### Credit challenges

**Weaker-than-expected profitability in H1 FY2026 and sustained margin pressure** - Operating margins have remained subdued at 1.1% in H1 FY2026, significantly below earlier expectations of recovery. This follows a sharp decline in FY2025 margins to 2.8% from 5.7% in FY2024, primarily due to inventory losses and intense competition. Continued margin pressure could adversely impact cash flows and debt coverage metrics.

**Working capital intensive operations** - The company's operations are inherently working capital intensive, driven by high inventory holding requirements and substantial advances to suppliers. Further, the working capital requirement increased due to disruption in the Nigerian operations amid geo-political issues. There has been outstanding amount of around Rs. 22 crore as on Sep 30, 2025 down from Rs. 48 crore as on March 31, 2024, from Nigeria.

**Intense competition in the industry** - The steel pipes industry is highly fragmented, characterized by numerous players and significant pricing pressures. This limits the company's ability to pass on raw material cost fluctuations, exposing it to volatility in profitability during periods of sharp steel price movements.

**Nascent stage of diversification into new verticals; any large debt-funded investment would be credit negative** - While RSTL is exploring opportunities in solar power and defence sectors to diversify its revenue streams, these initiatives are at an early stage and the investment plan is yet to be finalized. Any significant debt-funded capital expenditure for these ventures would weaken the company's financial profile and liquidity position. ICRA understands company has raised equity worth Rs 87.5 crore in H1FY2026, which would be used to part fund the acquisition plans of the entity. ICRA will continue to monitor the overall acquisition cost, operating profile of the acquiree entity and funding plans.

### Environmental and social risks

The company, owing to its presence in the steel tubes industry, remains dependent on consumption of power and fuel for running its facilities. The manufacturing process emits carbon and discharges other chemicals (for example lubricants). However, the company has been undertaking various initiatives to address environmental issues. The environmental and social commitments of the company include waste management, sanitation initiatives, skill-based education, improvement of underprivileged people's lives, women empowerment and youth enablement

### Liquidity position: Adequate

RSTL's liquidity position is assessed as adequate, supported by moderate cash accruals and the absence of any major debt repayment obligations in the near term. ICRA expects that the company's cash flows from operations along with available buffer in working capital lines to be adequate to fund its routine capex requirements as well as the scheduled debt repayment obligations of ~Rs. 3.1 crore in FY2026 and Rs. 1.7 crores in FY2027. Improvement in operating cash flows will be critical to support liquidity going forward.

### Rating sensitivities

**Positive factors** – The ratings could be upgraded if the company demonstrates a sustained improvement in its revenues and profitability, thereby strengthening the liquidity position and debt coverage metrics.

**Negative factors** – The ratings could witness a downward revision in case of any significant decline in the revenue/ profitability of the company, resulting in a deterioration in debt protection metrics. Further, any large debt-funded capex or higher working capital requirement weakening the liquidity position could trigger ratings downgrade.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Iron &amp; Steel</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of RSTL, details of which have been enlisted in Annexure II.

## About the company

Incorporated in 1974 by Mr. Harbans Lal Bansal and currently managed by his son, Mr. Naresh Kumar Bansal and grandson Mr. Richi Bansal, RSTL manufactures and trades steel tubes and pipes and galvanised iron pipes. RSTL's product range includes MS ERW black pipes of 15 mm-200 mm diameter and galvanised iron pipes of 15 mm-150 mm NB in light, medium and heavy sizes. RSTL has a subsidiary in the UAE and a step-down subsidiary in Nigeria.

In July 2022, the company further had acquired a stake in M/s Ashoka Infrasteel and Hagar Mega Mart Pvt. Ltd. However, the company sold 32.4% stake in Hagar Mega Mart Private Limited in March 2024 and further 17.6% stake on May 31, 2024, after completion of above disinvestment, M/s Hagar Mega Mart Private Limited ceased to be Associate of the Company w.e.f. March 06, 2024. RSTL has four manufacturing facilities located at Sahibabad (Uttar Pradesh), Khopoli (Maharashtra) and Anantpur (Andhra Pradesh) with a total production capacity of 2,94,000 MTPA as on March 31, 2025.

## Key financial indicators

RSTL Consolidated	FY2024	FY2025	H1FY2026*
Operating income	1,046.5	1,048.1	588.6
PAT	29.3	22.1	6.0
OPBDIT/OI	5.7%	2.8%	1.1%
PAT/OI	2.8%	2.1%	1.0%
Total outside liabilities/Tangible net worth (times)	1.1	1.0	0.8
Total debt/OPBDIT (times)	2.4	3.1	9.7
Interest coverage (times)	2.8	2.5	1.0

Source: Company, PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore, \*-Provisional numbers

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

**Any other information: None**

### Rating history for past three years

Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years					
	Type	FY2026		FY2025		FY2024		FY2023	
		Amount rated (Rs crore)	Nov 25, 2025	Date	Rating	Date	Rating	Date	Rating
<b>Fund-based-cash credit</b>	Long Term	80.00	[ICRA]BB+ (Stable)	Mar 21, 2025	[ICRA]BBB- (Stable)	Jan 12, 2024	[ICRA]BBB (Stable)	Jan 04, 2023	[ICRA]BBB- (Stable)
<b>Non-fund based-Others</b>	Short Term	30.00	[ICRA]A4+	Mar 21, 2025	[ICRA]A3	Jan 12, 2024	[ICRA]A3+	Jan 04, 2023	[ICRA]A3

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Cash credit	Simple
Short -term – Non-fund based - ILC/FLC and BG	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

**Annexure I: Instrument details**

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term Fund-based – Cash credit	-	-	-	80.00	[ICRA]BB+ (Stable)
NA	Short -term – Non-Fund based - ILC/FLC and BG	-	-	-	30.00	[ICRA]A4+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis**

Company Name	Ownership	Consolidation Approach
Rama Steel Tubes Limited	100% (rated entity)	Full Consolidation
Lepakshi Tubes Private Limited	100%	Full Consolidation
Rama Defence Private Limited	100%	Full Consolidation
RST International Trading FZE	100%	Full Consolidation
RST Industries Limited	51%	Full Consolidation
Bigwin Buildsys Coated Pvt. Ltd.	24.81%	Equity Method
Oram Green Energy Limited	40%	Equity Method
M/s Ashoka Infrasteel	51%	Full Consolidation

Source: Company

## ANALYST CONTACTS

**Girishkumar Kadam**  
+91 22 6114 3441  
[girishkumar@icraindia.com](mailto:girishkumar@icraindia.com)

**Ankit Jain**  
+91 124 4545 865  
[Ankit.jain@icraindia.com](mailto:Ankit.jain@icraindia.com)

**Sumit Jhunjunwala**  
91 33 6521 6814  
[sumit.jhunjunwala@icraindia.com](mailto:sumit.jhunjunwala@icraindia.com)

**Prerna Aggarwal**  
+91 124 4545 380  
[prerna.aggarwal1.@icraindia.com](mailto:prerna.aggarwal1.@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**  
+91 22 6114 3406  
[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**  
Tel: +91 124 4545 860  
[communications@icraindia.com](mailto:communications@icraindia.com)

## HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)  
[info@icraindia.com](mailto:info@icraindia.com)

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## ICRA Limited



### Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



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