

Rashi Steel & Power Limited

Instrument	Rated Amount	Rating Action (As in July 2016)
Term Loan	Rs. 82.0 crore	Downgraded to [ICRA]BB-; Outlook revised to Negative

ICRA has revised downward the rating of the Rs. 82.0-crore¹ term loan of Rashi Steel & Power Limited (RSPL) from [ICRA]BB+ (pronounced ICRA double B plus) to [ICRA]BB- (pronounced ICRA double B minus). The outlook on the long-term rating has also been revised to negative from stable.

The rating action primarily takes into account the significant deterioration in the financial risk profile of the company during FY2016 as reflected by almost negligible cash accruals, adverse capital structure as reflected by a gearing of 1.77 times and weak debt-coverage indicators. ICRA notes that substantial correction in iron ore lump and pellet prices (on account of muted demand condition both in the domestic and international markets) has adversely impacted the operating profitability of the company during FY2016, also weakening the overall financial profile. Further, high debt-servicing obligation relative to its operating profits is likely to exert pressure on the coverage indicators and liquidity position of the company in the short to medium term. ICRA further notes that continuous support from the directors in the form of equity infusion/unsecured loans would be required to meet the debt-servicing requirement of the company. The rating also takes into consideration the exposure of the profits and the cash flows of the company to the cyclicity inherent in the steel industry, particularly due to absence of any captive raw material source at present. The company also has high capital expenditure plans to the tune of Rs. 40-45 crore in the medium term towards setting up the double-stage beneficiation plant (*the project cost is Rs. 65-70 crore, of which Rs. 25 crore has already been spent till FY2016*), which is likely to stretch the liquidity position of the company during the execution stage. The rating, also considers the favourable location of the company, which is in close proximity to a large number of DRI manufacturing units, thus reducing the off-take risk to a large extent along with the experience of the promoters in the iron and steel industry.

Company Profile

Rashi Steel & Power Limited, promoted by Mr. Amar Agarwal, Mr. Rakesh Jindal and other promoters in 2009, has set up a 0.4 million tonnes per annum pelletization cum-beneficiation plant at Bilaspur. The pellet plant is being set up using the Grate-Kiln technology and will be operated on a merchant basis in the initial years. The company has also set up a producer gas plant to replace the usage of furnace oil, saving power and fuel costs substantially.

Recent Results

During FY2016, RSPL recorded a Loss after Tax of Rs.17.69 crore on an operating income of Rs. 147.80 crore against Profit after Tax of Rs. 0.71 crore on an operating income of Rs. 52.60 crore.

July 2016

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¹ 100 lakh = 1 crore = 10 million



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