

## Rathi Bars Limited

June 13, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	83.00	CARE BBB; Stable	Assigned

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The rating assigned to bank facilities of Rathi Bars Limited (RBL) derive strength from experienced promoters with long track record of operations, established brand name 'Rathi' and wide selling and distribution network. The rating also takes comfort from satisfactory financial risk profile characterised by moderate overall gearing and adequate liquidity position. The rating takes cognisance of consistent growth in scales of operations though moderated in FY25 (refers to April 01 to March 31). However, the rating is constrained by thin profitability margins, exposure to finished goods and raw material price volatility and highly competitive and cyclical steel industry.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Sustained growth in scale of operations and improvement in profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin over 5% on a sustained basis.
- Improvement in debt coverage indicators as marked by total debt to gross cash accruals (TD/GCA) below 5x on a sustained basis.

#### Negative factors

- Substantial decline in scale of operations and PBILDT margin falling below 2.0% on a sustained basis.
- Higher-than-envisaged debt-funded capital expenditure (capex) leading to a deterioration in capital structure, as marked by overall gearing above 1.25x on a sustained basis.
- Substantial increase in its working capital requirements thus weakening its liquidity and financial profile.
- Elongation of collection period beyond 65 days on a sustained basis.

### Analytical approach: Standalone

#### Outlook: Stable

The stable outlook reflects CARE Ratings Limited's (CareEdge Ratings') opinion that RBL shall continue to benefit from its experienced promoters and established brand name 'Rathi'.

### Detailed description of key rating drivers:

#### Key strengths

##### Experienced promoters with established track record of operations in steel industry

Incorporated in 1993, RBL is a part of Rathi Group – a well-established brand in regions of Rajasthan, Haryana and Delhi-NCR, having long track record in the TMT steel products industry. RBL is promoted and managed by Anurag Rathi, having over 25 years' experience in the steel industry and manages the company's overall operations. He is well supported by Uddhav Rathi (son of Anurag Rathi) who has an experience of over five years and mainly manages the company's marketing function. With over four

<sup>1</sup>Complete definition of ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Limited's publications.

decades' experience, the promoter has developed a deep understanding of business dynamics and established strong relationships with customers, suppliers and dealers/distributors. This extensive network continues to support the business, enabling the company to secure repeat orders from a diverse clientele. The promoter's experience will continue to strengthen the company's market position.

### **Consistent growth in scales of operations though moderation in FY25**

The company has reported consistent growth in revenue over the last five years, increasing from ₹323.75 crore in FY21 to ₹496.29 crore in FY25 exhibiting a compound annual growth rate (CAGR) of 11.27% considering improved customer demand, although sales realisation has been moderated due to the competitive landscape.

The total operating income (TOI) stood at ₹614.04 crore in FY24, reporting a growth of 27.29% from ₹482.36 crore in FY23, primarily driven by improved demand from customers as indicated by year-over-year (y-o-y) volume growth of 58.01% with sales volume increasing to 1,15,557 MT in FY24 (PY: 74,202 MT). However, there was a decline in sales realisation to ₹/MT 49,861 in FY24 (PY: ₹/MT 56,927) considering decline in steel prices. The scale moderated to ₹496.29 crore in FY25, owing to volume degrowth of 19.72% and continuous moderation in sales realisations to ₹/MT 48,425. Going forward, scale of operations is expected to grow considering expected improvement in demand and sales realisation.

### **Satisfactory financial risk profile**

RBL is having satisfactory financial risk profile, supported by adequate net worth base of ₹96.49 crore with overall gearing of 0.85x as on March 31, 2025 (PY: 0.71x), supported by steady accretion to reserves. The company's debt profile primarily consists of external debt in the form of working capital and term loans from banks. The PBILDT interest coverage ratio stood at 2.06x in FY25 (PY: 2.35x). Going forward, the capital structure and debt coverage indicators are expected to improve considering profit accretion to reserves, repayment of term debt and absence of major debt funded capital expenditure (capex) plans in near future.

### **Established brand name and wide marketing network**

RBL is engaged in manufacturing TMT bars which are sold under "Rathi" brand name. The brand name is owned by the family trust and has an established presence in the market especially in North India since 1940. The company has established dealers/distributors in Northern India, especially in the regions of Delhi-NCR, Haryana and Rajasthan.

### **Key weaknesses**

#### **Thin profitability margins though remain sustained**

The company's operating margins is sustained though remained thin, ranging from 2.34% - 3.66% over FY21- FY25 due to intense competition within the industry and volatility in the raw material prices (which accounts for ~92.64% total cost in FY25). However, the company can pass on the change in input cost partially to its customers. The operating margin also remained low due to modest product differentiation and limited value addition in manufacturing TMT bars. In FY25, RBL reported PBILDT and profit after tax (PAT) margin of 2.69% (PY: 2.34%) and 0.52% (PY: 0.58%), respectively. Going forward, profitability is expected to improve owing to expected improvement in demand and better realisations with stable input costs.

#### **Working capital intensive operations**

RBL's operating cycle remains elongated at 67 days in FY25 (PY: 49 days). The company largely procures raw material such as ingots and billets mainly from suppliers based in Haryana, Rajasthan and Odisha, which provides an average credit period of 0-30 days. As such, average creditors' period stood at six days in FY25 (PY: six days). The company provides credit period of ~45-60 days to its customers, resulting in an average collection of 63 days in FY25 increased from 45 days in FY24, the top ten

customers contributed close to 65.60% TOI of the company in FY25 (PY: 56.86%). RBL maintains inventory of ~15-30 days, reflected average inventory holding period of 11 days in FY25 (PY: 10 days).

### **Highly competitive and cyclical industry**

The long steel products industry is highly competitive with presence of many small and mid-sized players operating in the industry and a few large sized and established players. TMT bars in steel product industry are highly cyclical and is affected by factors including global demand and supply, foreign exchange fluctuation and other macro-economic factors. Demand for TMT bars is linked largely to the demand in infrastructure industry, which is cyclical and closely follows the macroeconomic cycle. RBL's operational performance in the near-term may be impacted by recent tariffs imposed by the U.S.A. on steel imports, though this is countered by recent safeguarding duty imposed by Indian government.

### **Susceptibility of profitability margins to volatility in input prices**

The major raw material includes steel ingots, billets and scrap among others; the prices of which are volatile and are linked to market. RBL sources its raw material primarily from manufacturers/traders in Haryana, Rajasthan and Odisha. The raw material costs constituted ~93% of FY25's TOI; thus, exposing its margins to volatility in prices of raw materials. RBL has low bargain power, and the prices are determined per market forces. Going forward, RBL's ability to effectively manage the TMT steel bar price volatility and passing on the increase in input prices shall be a key rating factor.

### **Dependence on demand from end-user industries**

Demand for TMT steel bars is derived from sectors such as real estate, construction, and infrastructure, which are linked to economic cycles. Slowdown in economic activity, or a drop-in investment in infrastructure and housing sectors, could adversely impact operations. Established dealer network and healthy relationships with diverse customers have helped partly mitigate this risk.

### **Liquidity: Adequate**

The company is having adequate liquidity profile, marked by estimated GCAs in the range of ~₹9.50-10.00 crore in FY26, comfortably covering debt obligation of ~ ₹4.11 crore . Current ratio and quick ratio were healthy at 1.72x and 1.57x as on March 31, 2025. Low gearing and satisfactory net worth base provide financial flexibility in case of adverse conditions or downturn in the business. Bank limit utilisation average stood at ~94.18% for the trailing 12 months ending with April 30, 2025. The company has no major capex plan except maintenance capex over the near-to-medium term.

### **Applicable criteria**

[Policy on Default Recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Assigning 'Outlook' or 'Rating Watch' to Credit Ratings](#)

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### **Environment, social, and governance (ESG) risks: Not applicable**

## About company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Metals and mining	Ferrous metals	Iron and steel

RBL was incorporated in 1993 and set up by Kamlesh Kumar Rathi and engaged in manufacturing TMT steel bar of dimensions. Its manufacturing facilities are at Bhiwadi, Alwar (Rajasthan), with installed capacity of 68,500 metric tonnes per annum (MTPA) for billets and 1,00,000 MTPA for steel bars. The company is promoted by Anurag Rathi (managing director) and Uddhav Rathi (whole-time-director)

Particular	March 31, 2023 (A)	March 31, 2024 (A)	March 31, 2025 (A)
Total operating income	482.36	614.04	496.29
PBILD	14.97	14.38	13.36
PAT	2.58	3.58	2.57
Overall gearing (times)	0.80	0.71	0.85
Interest coverage (times)	2.78	2.35	2.06

A: Audited Note: these are latest available financial results

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

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	75.49	CARE BBB; Stable
Fund-based - LT-Term Loan		-	-	31/07/2028	7.51	CARE BBB; Stable

**Annexure-2: Rating history for last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based - LT-Cash Credit	LT	75.49	CARE BBB; Stable				
2	Fund-based - LT-Term Loan	LT	7.51	CARE BBB; Stable				

LT: Long term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable

**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

**Annexure-5: Lender details**

To view lender-wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

## Contact us

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