



RASI ELECTRODES LTD.,



CIN: L52599TN1994PLC026980
Ref: REL/0286/2021-22
Dated: January 25, 2022

To,

THE BSE LIMITED
PHIROZE JEEJEEBHOY TOWERS
26TH FLOOR, DALAL STREET
MUMBAI - 400001

Dear Sir,

**Sub: Disclsoure under Reg.30 of SEBI (LODR) Regulations-2015 – Credit Rating
Re-affirmed by ICRA Limited**

We wish to inform you that ICRA Limited have, vide their letter dated 25.1.2022, re-affirmed the Ratings accorded by them, the summary of which is furnished below:

Summary of rating action Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund based/ CC	10.00	10.00	[ICRA]BB+ (Stable); reaffirmed
Long-term Interchangeable	(2.00)	(2.00)	[ICRA]BB+ (Stable); reaffirmed
Short-term Interchangeable	(15.00)	(15.00)	[ICRA]A4+; reaffirmed
Total	10.00	10.00	

The letter received from ICRA Limited in this regard is enclosed.

We request you to kindly take on record the above and acknowledge the receipt of the same.

Thanking you,

Yours faithfully,
For RASI ELECTRODES LIMITED


B POPATLAL KOTHARI
MANAGING DIRECTOR
DIN: 00594168

Manufacturers & Marketers of Welding Electrodes and Consumables

Regd. Off : 21, Raja Annamalai Road, Flat No. A/14, 3rd Floor, Chennai - 84. Ph : +91-44-26424523 / 7884 Fax : +91-44-42027464 Email : info@rasielectrodes.com
Visit us : www.rasielectrodes.com Factory : Upparapalayam Village, Alammathi Post. Redhills, Chennai - 52. Ph : +91-44-26310511, 26310512, 9381023215

CIN : L52599TN1994PLC026980, Customer Care + 91-044-26401822



ICRA Limited

Ref: ICRA/Rasi Electrodes Limited/25012022/1

Date: January 25, 2022

Mr. B Popatlal Kothari
Managing Director
Rasi Electrodes Limited
21, Raja Annamalai Road,
Purasawalkam,
Chennai-600084.

Dear Sir,

Re: Surveillance of ICRA-assigned Credit Rating for Rs. 10.0 crore Bank Facilities (details as per Annexure) of Rasi Electrodes Limited

Please refer to your Rating Agreement/Statement of work executed between ICRA Limited ("ICRA") and your firm, whereby, ICRA is required to review its ratings, on an annual basis, or as and when the circumstances so warrant. Based on a review of the latest developments, the Rating Committee of ICRA, after due consideration has retained the long-term rating at **[ICRA]BB+** (pronounced ICRA double B plus). The Rating Committee of ICRA, after due consideration, has also retained the short-term Rating at **[ICRA]A4+** (pronounced ICRA A four plus). Outlook on the long-term Rating is **Stable**. Instruments with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations.

In any of your publicity material or other document wherever you are using the above rating(s), it should be stated as **[ICRA] BB+(Stable)/[ICRA]A4+**.

The aforesaid ratings will be due for surveillance anytime before **January 17, 2022**. However, ICRA reserves the right to review and/or, revise the above Rating(s) at any time on the basis of new information becoming available, or the required information not being available, or other circumstances that ICRA believes could have an impact on the Rating(s). Therefore, request the lenders and investors to visit ICRA website at www.icra.in for latest Rating(s) of the Company.

The Ratings are specific to the terms and conditions of the Instrument as indicated to us by you, and any change in the terms or size of the same would require a review of the Ratings by us. In case there is any change in the terms and conditions or the size of the rated Instrument, the same must be brought to our notice before the Instrument is used by you. In the event such changes occur after the Ratings have been assigned by us and their use has been confirmed by you, the Ratings would be subject to our review, following which there could be a change in the Ratings previously assigned. Notwithstanding the foregoing, any change in the over-all limit of the Instrument from that specified in the first paragraph of this letter would constitute an enhancement that would not be covered by or under the said Rating Agreement.

FMC Fortuna, A-10 & 11, 3rd Floor
234/3A, A.J.C. Bose Road
Kolkata - 700020

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Website : www.icra.in
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Registered Office : 1105, Kailash Building, 11th Floor, 26 Kasturba Gandhi Marg, New Delhi - 110001. Tel. : +91.11.23357940-45

RATING • RESEARCH • INFORMATION



ICRA Limited

The Rating(s) assigned must be understood solely as an opinion and should not be treated, or cause to be treated, as recommendation to buy, sell, or hold the rated Instrument availed by your company.

You are also requested to forthwith inform us about any default or delay in repayment of interest or principal amount of the instrument rated, as above, or any other debt instruments/ borrowing and keep us informed of any other developments which may have a direct or indirect impact on the debt servicing capability of the company including any proposal for re-schedulement or postponement of the repayment programmes of the dues/ debts of the company with any lender(s) / investor(s). Further, you are requested to inform us immediately as and when the borrowing limit for the instrument rated, as above, or as prescribed by the regulatory authority(ies) is exceeded.

We look forward to your communication and assure you of our best services.

With kind regards,
Yours sincerely,
For ICRA Limited

Digitally signed by GIRISHKUMAR
KASHIRAM KADAM

Date: 2022.01.25 08:41:13 +05'30'

(Girishkumar Kadam)
Senior Vice President
girishkumar@icraindia.com

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R A T I N G • R E S E A R C H • I N F O R M A T I O N

Annexure
Details of the bank limits rated by ICRA (Rated on Long term scale)

Name of the bank	Bank Limits	Rs. Crores (Amount)	Rating	Assigned On
Citi Bank	Cash Credit	7.00	[ICRA]BB+(Stable)	January 18, 2022
Bank of Baroda	Cash Credit	3.00	[ICRA]BB+(Stable)	January 18, 2022
Citi Bank	Interchangeable	(2.0)	[ICRA]BB+(Stable)	January 18, 2022
	Total	10.00		

Details of the bank limits rated by ICRA (Rated on Short term scale)

Name of the bank	Bank Limits	Rs. Crores (Amount)	Rating	Assigned On
Citi Bank	Interchangeable	(9.00)	[ICRA]A4+	January 18, 2022
Citi Bank	Interchangeable	(6.00)	[ICRA]A4+	January 18, 2022
	Total	(15.00)		

January 25, 2022

Rasi Electrodes Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund based/ CC	10.00	10.00	[ICRA]BB+ (Stable); reaffirmed
Long-term Interchangeable	(2.00)	(2.00)	[ICRA]BB+ (Stable); reaffirmed
Short-term Interchangeable	(15.00)	(15.00)	[ICRA]A4+; reaffirmed
Total	10.00	10.00	

*Instrument details are provided in Annexure-1

Rationale

The reaffirmation of the ratings continues to factor in Rasi Electrodes Limited's (REL) extensive experience of its promoters and the company's track record in the welding consumables business, which caters to various industries, including infrastructure and auto ancillary. The ratings favourably note the revenue growth with an improved demand and execution in the current fiscal. ICRA also notes REL's favourable financial profile, characterised by a comfortable capital structure and healthy debt protection metrics.

The ratings, however, are constrained by the high product concentration and moderate scale of operations—the revenue was Rs. 39.7 crore in FY2021 and Rs. 29.8 crore in H1 FY2021—limiting the benefits from the economies of scale and other operational and financial flexibility. The ratings are further constrained by an intense competition and cyclicity of the industry segment. The ratings also consider the vulnerability of REL's margins to the fluctuations in raw material prices and exposure to fluctuation in forex rates to the extent of the unhedged position.

The Stable outlook reflects ICRA's expectations that the company would continue to maintain its credit profile with an expected improvement in revenue, profit margins and an adequate liquidity position.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters – Established in 1995, the promoters have an extensive experience in the welding consumables business, for more than two decades. REL has an established presence and brand value that has enabled the company to scale-up its operations in the last five years.

Comfortable capital structure and coverage indicators – REL's financial profile remains favourable with a comfortable capital structure and healthy coverage indicators. Its capital structure, characterised by the total debt/tangible net worth was 0.2 time as on March 31, 2021, supported by a relatively lower reliance on external borrowings. The debt protection metrics remained comfortable with an interest coverage of 8.1 times and TD/OPBDITA of 1.7 times in H1 FY2022.

Credit challenges

Moderate scale of operations – The company’s scale of operations remained moderate, with revenues of Rs. 39.7 crore in FY2021 resulting in limited economies of scale and market position. Though, the revenue has improved in H1 FY2022 and is expected to grow on similar lines in FY2022, it continues to remain relatively low.

Modest profitability with exposure to raw material price fluctuations – The industry is characterised by minimal entry barriers, leading to high fragmentation and an intense competition from both regional small-scale and some established players. While the company deals only in welding consumables, some of the competitors offer a more diverse range of products in their portfolio. High level of fragmentation coupled with the volatility in raw material prices limit REL’s pricing flexibility considerably. The same has resulted in modest operating margins, with 5.5% in H1 FY2022 against 6.4% in FY2020.

Cyclicality of business – The customers of REL are primarily from the auto ancillaries and construction segments which exposes the company to cyclical turns of the respective industries, hence its revenue and cash accruals remain vulnerable to the same. Its performance in FY2021 remained subdued due to the pandemic-related economic slowdown. However, with a recovery in demand, the company witnessed an improvement in revenues in H1 FY2022.

Liquidity position: Adequate

The company’s liquidity position is adequate, characterised by a sufficient buffer in its working capital facilities and moderate cash balances. The working capital utilisation has been moderate, with an average utilisation of 41.4% of the sanctioned limits (undrawn line of credit of ~Rs. 4.1 crore as on December 31, 2021) during October 2020 to December 2021. The company does not have any fixed-term debt obligation, or capital expenditure (capex) plans.

Rating sensitivities

Positive factors – ICRA may upgrade the ratings if the company is able to improve its scale of operations along with an improvement in margins on a sustained basis while maintaining healthy debt protection metrics.

Negative factors – ICRA may downgrade the ratings if the liquidity profile, capital structure or cash accruals weaken on a sustained basis. Specific credit metrics that may downgrade REL’s rating would be an interest coverage ratio of less than 2.5 times on a consistent basis.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	Not Applicable
Consolidation/Standalone	The ratings are based on the standalone financial profile of the company.

About the company

Rasi Electrodes Limited, incorporated in 1995, specialises in manufacturing welding consumables, catering to the requirements of diverse heavy and light engineering industries. The company caters to the needs of public sector undertakings (PSU), private engineering conglomerates and original equipment manufacturers(OEM). It also trades in goods such as power tools, grinding wheels, transformers, MIG/MAG machines, rectifiers and natural rutile ore. The products primarily fall into two categories – electrodes and copper coated mild steel wires – both of which are used in welding. The products are available in different

categories and grades that find applications in many industries. REL also has plans to enter the agro-trading business in the future which is likely to be funded through internal accruals

Key financial indicators (audited)

REL Standalone	FY2020	FY2021	H1 FY2022 (Prov)
Operating Income (Rs. crore)	46.5	39.7	29.8
PAT (Rs. crore)	0.5	1.4	1.1
OPBDIT/OI (%)	4.2%	6.4%	5.5%
PAT/OI (%)	1.1%	3.4%	3.8%
Total Outside Liabilities/Tangible Net Worth (times)	0.2	0.3	0.3
Total Debt/OPBDIT (times)	1.3	2.2	1.7
Interest Coverage (times)	4.2	6.9	8.1

*PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding as on Mar 31, 2021 (Rs. crore)	Date & Rating on	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019	
					January 25, 2022	Nov 13, 2020			
1	Cash Credit	Long Term	10.00	-	[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)	-	-	
2	Interchangeable	Long Term	(2.00)	-	[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)	-	-	
3	Interchangeable	Short Term	(15.00)	-	[ICRA]A4+	[ICRA]A4+	-	-	

Complexity level of the rated instrument

Instrument	Complexity Indicator
Cash Credit	Simple
Interchangeable limits	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 and 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-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Cash Credit	-	-	-	10.00	[ICRA]BB+ (Stable)
NA	Long-term – Interchangeable	-	-	-	(2.00)	[ICRA]BB+ (Stable)
NA	Short-term – Fund based	-	-	-	(9.00)	[ICRA]A4+
NA	Short-term – Non-Fund based	-	-	-	(6.00)	[ICRA]A4+

Source: REL

Annexure-2: List of entities considered for consolidated analysis: Not Applicable

ANALYST CONTACTS

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Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



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Branches



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