February 18, 2025 (Revised)

Raajratna Metal Industries Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term/Short term – Fund-based - PC/PCFC/FBD/FBN/PSCFC	310.00	310.00	[ICRA]AA-(Stable) /[ICRA]A1+; reaffirmed
Short-term non-fund-based limits	40.00	40.00	[ICRA]A1+; reaffirmed
Short-term interchangeable -Non-fund based limits	(30.00)	(30.00)	[ICRA]A1+; reaffirmed
Total	**350.00**	**350.00**	

**Instrument details are provided in Annexure I*

Rationale

The ratings reaffirmation considers Raajratna Metal Industries Limited's (RMIL) healthy financial risk profile and strong liquidity, supported by steady earnings in FY2024 and 9M FY2025, which is likely to sustain in the near to medium term. Although revenue levels moderated due to a significant reduction in nickel prices and subdued global demand leading to decline in export volume, the value-added products have maintained the profit margins in FY2024 and 9M FY2025. Consequently, the credit metrics are expected to remain strong in the short to medium term and the volumes are expected to recover for the full fiscal as well as in FY2026 compared to the FY2024 levels. Additionally, the company remained net debt-free in FY2024 and 9M FY2025 with a strong liquidity position - cash and bank balance of around Rs. 375 crore as on December 31, 2024 on a standalone basis, and low utilisation of the sanctioned fund-based limits.

The ratings continue to positively factor in the extensive experience of the promoters, the established track record of the company in the stainless-steel industry for more than three decades and its established business relationships with a geographically diversified customer base across more than 60 countries worldwide. Further, ICRA notes the technical expertise of the company in manufacturing higher value-added stainless-steel wires and its presence in the high-precision product segments with critical applications in diverse end-user segments. ICRA also notes that Real Strips Limited, which was merged with RMIL, has been showing improvement, which is likely to result in increased scale and better product diversification, thus strengthening the overall operating profile in the medium term.

The ratings, however, remain constrained by the vulnerability of RMIL's revenues and earnings to any slowdown in the end-user industries, volatility in raw material costs and intense competition in the export market such as the US and the European Union (EU). As export comprises a major portion of the sales, the ratings also remain vulnerable to any changes in regulations and Government policies. Further, RMIL's working capital intensity has remained high owing to the long credit period extended to customers and the high inventory levels. However, RMIL's improved and healthy liquidity position in the form of large unutilised working capital limits and cash and bank balance provide comfort.

The Stable outlook on the long-term rating considers a sustained healthy financial performance in the medium term, driven by a higher mix of value-added products and better operating efficiency.

Key rating drivers and their description

Credit strengths

Healthy financial risk profile with low debt and steady profit margins - RMIL's financial performance remains steady. Although the revenues moderated due to a significant reduction in nickel prices and subdued global demand leading to decline in the export volume, the value-added products maintained the profit margins in FY2024 and 9M FY2025. The capital structure also remained conservative with a low gearing and healthy accretion to reserves. Going forward, RMIL's profits and cash accruals are expected to remain comfortable in the current financial year with the continuous addition of higher value-added products and better operating efficiency, leading to sustenance of healthy debt metrics. The liquidity position is also expected to remain strong with large cash and FD balances, significant cushion available in fund-based limits, low capital expenditure and long-term debt repayment requirements.

Technical expertise to manufacture high-precision products and high value-added steel wires with application in diversified end-user industries – RMIL manufactures stainless steel-based wires of various grades, compositions and specifications that are used for manufacturing various products such as kitchenware, springs, chains, nails, balls, filters, wire mesh, surgical needles and surgical equipment. RMIL's product mix also includes stainless steel bright bars, fine wires, nickel wires and stainless steel rebars. The product mix is dominated by stainless steel wires, which drove ~90-92% of the total sales, followed by bright bars over the recent few years.

Established business relationships with customers and high geographical diversification with clients spread across ~60 countries – The company has a diversified customer base spread across ~60 countries, with its top 10 external clients generating ~18% of the sales in FY2024. Additionally, RMIL's marketing efforts draw support from its marketing arms in the US and Italy. As the company sells its products directly through its marketing representatives in its target markets without any traders or merchant exporters in between, it enjoys established business relationships with its customers, translating into repeat orders. As the company carries out all the sales negotiations directly, it is able to manage the pricing and quality better, leading to healthy margins.

Extensive experience of promoters and established track record of RMIL in stainless steel industry – RMIL is promoted by Mr. Babulal Sanghvi and Mr. Arvind Sanghvi. The promoters, with their extensive experience of more than 35 years in the steel industry, established RMIL in 1988. RMIL also has three wholly-owned subsidiaries — US-based Raajratna Stainless Wire Inc. (RSW), Erre Inox Srl (EIS) based in Italy and PT Raajratna Wire (PTRW), Indonesia. While RSW and EIS are the marketing arms of the company, PTRW manufactures stainless steel wires in Batam, Indonesia.

Credit challenges

High working capital intensity – Owing to the established business relationships with customers and competition, the company extends a credit period of up to 30-90 days. Although the company maintains limited finished goods inventory as the production is largely order-backed, it maintains raw material inventory to mainly ensure a timely completion of the orders. This results in a high working capital intensity of 40-45%. Nonetheless, RMIL is able to manage the same via internal cash accruals and a healthy liquidity position.

Profitability exposed to fluctuations in metal prices and foreign exchange – RMIL's profitability is exposed to fluctuations in raw material prices, which form a significant percentage of the average selling price. Nickel forms ~8-20% of stainless steel in terms of weight (depending on the grade of the product) but forms up to 70-75% of the total cost in terms of value, exposing the profitability to fluctuations in nickel prices. RMIL, however, has a policy of purchasing raw materials against customer orders and the prices are quoted as per prevalent metal prices, insulating RMIL's profitability against price volatility, to a large extent. Further, as a predominantly export player, RMIL's operations remain exposed to fluctuations in foreign currency rates. However, the company has a defined hedging mechanism to reduce the risk. Further, its imports account for ~40% of the total raw material purchases and there remains some degree of natural hedge.

Operations exposed to cyclicality in stainless steel industry and competition in export markets – Indian stainless steel wire manufacturers and exporters, such as RMIL, face stiff competition from Chinese, Taiwanese and Korean exporters in key markets like the EU and the US. In addition, the operations remain exposed to the cyclicality faced by the downstream users of RMIL's products. Owing to the economies of scale, Chinese and Korean manufacturers dominate the markets in certain product segments, but Indian manufacturers enjoy a competitive advantage with their consistent compliance to quality specifications, higher quality and better after-sales services for specialised and high-precision products.

Indirect support to foreign subsidiary and other Group entities – ICRA notes that RMIL has provided a corporate guarantee towards debt of its subsidiary in Indonesia and also towards the debt raised in some other Group entities based in India. While no major cash outflow is expected to support these entities in the near term, it remains a monitorable.

Liquidity position: Strong

The liquidity position of the company is strong, reflected in low utilisation of the sanctioned fund-based limits, large free cash and FD balance of ~Rs. 375 crore as on December 31, 2024 on a standalone basis, limited capex plans and negligible repayment obligations at the consolidated level. Its cash flow from operations is also likely to remain healthy, supported by the high scale of operations.

Rating sensitivities

Positive triggers – The long-term rating could be upgraded in case of any significant improvement in RMIL's scale of operations and profits while sustaining its strong capital structure, coverage indicators and liquidity position.

Negative triggers – Pressure on the ratings could arise, if there is any deterioration in the financial risk profile due to a large debt-funded capex, or any significant cash outflow to related parties towards inorganic growth. Specific credit metrics that could lead to a rating downgrade include the total debt/OPBDITA being above 1.5 times on a sustained 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 consolidated financial profile of the entity, including the companies enlisted in Annexure II

About the company

Raajratna Metal Industries Limited (RMIL) was incorporated in May 1988 under the name of Raajratna Chemicals Private Limited and was renamed as Raajratna Metal Industries Private Limited in 1989 with focus towards steel drawing and manufacturing operations. The company was subsequently converted to a closely held limited company in 1994 under the name of Raajratna Metal Industries Limited (RMIL). The company manufactures stainless steel-based products, such as wires of various grades, compositions and specifications which are used for manufacturing a wide range of products such as kitchenware, springs, chains, nails, balls, filters, wire mesh and surgical needles and implants with applications in diverse fields such as automotives, power plants, aviation, electricals and medicine.

The company also manufactures stainless steel bright bars, stainless steel strips, stainless-steel coils, fine wires, nickel wires and stainless steel rebars. The SS wires are classified into thicker wires (from 25mm to 2mm), medium wires (2mm to 0.8 mm), fine wires (0.8 mm to 0.3mm) and super fine wires (below 0.3 mm). Wires of different thickness are used for manufacturing springs, wielding rod, rods, staples, chains, mesh, fasteners etc. and in many more industries. The company's SS wires are used in over 40 ancillary industries as a raw material.

The company has two manufacturing units located at Kalol in the Gandhinagar district of Gujarat having a combined installed manufacturing capacity of 51,600 MTPA. The company is predominantly an export-oriented player with more than ~60% of the sales being carried out in over 60 overseas markets with the US and the EU being the major customers.

Key financial indicators (audited)

	Standalone		Consolidated*	
	FY2023	FY2024	FY2023	FY2024
Operating income	1452.5	1313.4	1778.6	1579.7
PAT	129.6	138.0	165.2	185.2
OPBDIT/OI	14.6%	13.8%	15.0%	14.9%
PAT/OI	8.9%	10.5%	9.3%	11.7%
Total outside liabilities/Tangible net worth (times)	0.1	0.12	0.2	0.1
Total debt/OPBDIT (times)	0.1	0.12	0.2	0.1
Interest coverage (times)	10.6#	75.9	11.4#	55.7

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortization.

#When adjusted for forex loss, standalone interest cover is ~48.5 times and consolidated interest cover is ~41.8 times for FY2023.

**Consolidated financials do not include financials of 3 companies where RMIL has provided the corporate guarantee as enlisted in Annexure II as the company does not separately report the consolidated audited financials, including the 3 entities. However, the same has been considered while analysing the credit profile of RMIL*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2025)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	**Type**	**Amount rated (Rs. crore)**	**Feb 18, 2025**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Fund based - PC/PCFC/FBD/FBN/PSCFC	Short term	0.00	-	Dec 7, 2023	-	Nov 29, 2022	[ICRA]A1+	Nov 10, 2021	[ICRA]A1
Fund based - PC/PCFC/FBD/FBN/PSCFC	Long term and Short term	310.00	[ICRA]AA-(Stable)/ [ICRA]A1+	Dec 7, 2023	[ICRA]AA-(Stable)/ [ICRA]A1+	-	-	-	-
Non-fund based limits	Short term	40.00	[ICRA]A1+	Dec 7, 2023	[ICRA]A1+		[ICRA]A1+	Nov 10, 2021	[ICRA]A1
Interchangeable - Non-fund based limits	Short term	(30.00)	[ICRA]A1+	Dec 7, 2023	[ICRA]A1+		[ICRA]A1+	Nov 10, 2021	[ICRA]A1
Unallocated limits	Long term and Short term	0.00	-				[ICRA]AA-(Stable)/ [ICRA]A1+	Nov 10, 2021	[ICRA]A+(Stable)/ [ICRA]A1

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term/Short term – Fund-based - PC/PCFC/FBD/FBN/PSCFC	Simple

Short term non-fund based limits	Very Simple
Short term interchangeable - Non-fund based 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, 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	PC/PCFC/FBD/FBN/PSCFC	NA	NA	NA	310.00	ICRA]AA-(Stable)/[ICRA]A1+
NA	Non-fund based limits	NA	NA	NA	40.00	[ICRA]A1+
NA	Interchangeable - Non-fund based limits				(30.00)	[ICRA]A1+

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
Erre Inox Srl (Italy)	100.00%	Full consolidation
PT Raajratna Wire (Indonesia)	99.07%	Full consolidation
Raajratna Stainless Wire (USA) Inc.	100.00%	Full consolidation
Raajratna Stainless Pvt Ltd^		Full consolidation
Renox Wiremesh Pvt Ltd^		Full consolidation
Raajratna Wirerope Pvt Ltd^		Full consolidation

*Source: Company, *Ownership as on 31st March 2024; ^consolidated owing to corporate guarantee provided by RMIL*

Corrigendum

Rationale dated February 18, 2025 has been revised with the changes as below:

About the company section on page no 3 updated with some products manufactured by Raajratna Metal Industries Limited

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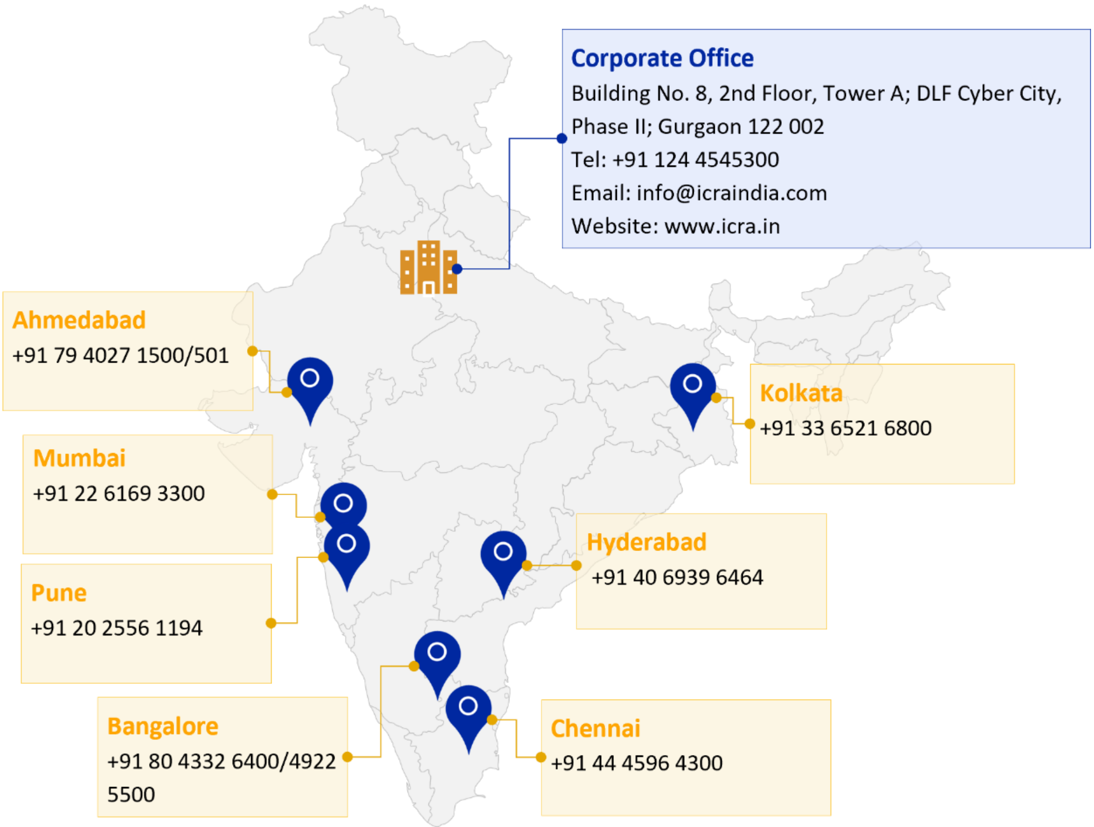

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