

May 07, 2025

Ramkrishna Forgings Limited: Placed on Rating Watch with Developing Implications

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term – Term loans	490.05	490.05	[ICRA]AA-; placed on Rating Watch with Developing Implications
Long term – Fund-based working capital	655.00	655.00	[ICRA]AA-; placed on Rating Watch with Developing Implications
Long term/ Short term – Fund-based working capital	55.00	55.00	[ICRA]AA-; placed on Rating Watch with Developing Implications / [ICRA]A1+; placed on Rating Watch with Developing Implications
Short term - Non-fund based limits	330.00	330.00	[ICRA]A1+; placed on Rating Watch with Developing Implications
Total	1,530.05	1,530.05	

*Instrument details are provided in Annexure I

Rationale

Material Event

On April 26, 2025, RKFL disclosed to stock exchanges about discrepancy found in its inventory. Discrepancy in the company's inventory was found during the process of annual physical verification of inventory, which commenced on April 6, 2025. The actual amount of inventory was found to be lower than the book value. Consequently, the company's Audit Committee, on April 26, 2025, approved the appointment of two independent external agencies to conduct a joint fact-finding study for the discrepancy in inventory and its reasons. Though the physical verification is continuing, the company internally estimates an adverse impact of 4-5% (Rs. 120-150 crore) of the net worth. After the outcome of the fact-finding study, the company would recognise the actual amount of discrepancy in the financial statement as a one-time impact. The company also mentioned that the inventory discrepancy found recently, in relation to FY2025, has occurred for the first time in its history, and the promoters intend to infuse funds to compensate for the discrepancy, to protect other stakeholders' interest, through any instrument permitted under applicable laws.

Impact of Material Event

The estimated impact of the inventory discrepancy (Rs. 120-150 crore) would result in moderation in the profit margin and debt coverage metrics of FY2025, to some extent, as the company is likely to recognise the amount of inventory discrepancy as a onetime impact in its FY2025 financials. However, the impact of the inventory discrepancy on RKFL's consolidated net profit is likely to be offset to some extent by a gain of Rs. 95 crore from the divestment of the erstwhile subsidiary, Globe All India Services Limited in Q2 FY2025. In addition, expected income tax benefits from merger of the subsidiary, ACIL Limited (which was acquired in FY2024 and has accumulated losses), with RKFL, for which the National Company Law Tribunal's (NCLT) approval was received in March 2025, are also likely to support the company's bottom line.

As the estimated amount of the inventory discrepancy is only 4-5% of the net worth, the capital structure will not be materially impacted. Besides, the company's utilisation of working capital limits remains considerably lower than its drawing power. Hence, reduction in drawing power due to the inventory discrepancy will not have any significant impact on the company's

liquidity position. ICRA expects RKFL's consolidated total debt/OPBDITA to marginally increase beyond the negative trigger threshold of 1.5 times in FY2025, however, the same is likely to improve from FY2026 and remain at a comfortable level below the threshold, in the medium term. However, if the actual amount of inventory discrepancy is found to be materially higher than the initially estimated amount and the reason for such discrepancy, which is yet to be ascertained, implies lapse of governance and internal controls, or impacts RKFL's financial flexibility, the same may exert pressure on the ratings. ICRA will continue to monitor developments in this regard.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position, Rating sensitivities: [Click here](#)

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Auto components
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the consolidated financials of the company along with its subsidiaries and a joint venture (as mentioned in Annexure-II)

About the company

Incorporated in 1981, RKFL commenced operations in 1984 primarily as a forging manufacturer for the Indian Railways. Over the years, the company has evolved into one of the largest players in the auto component industry, mainly catering to the M&HCV segment. The company has two facilities located in and around Jamshedpur and another small unit near Kolkata. Its forging facility comprises hammer forge and up-setter forge with a total capacity of 70,350 tonnes per annum (tpa), which has increased by 14,250 tpa in March 2025, cold forging capacity of 25,000 tpa, which was commissioned in January 2025, ring-rolling unit with a capacity of 24,000 tpa and press lines of 1,49,050 tpa. RKFL also has fabrication and machining facilities.

In FY2024, RKFL acquired Multitech Auto Private Limited and its subsidiary Mal Metalliks Private Limited, Ramkrishna Casting Solutions Limited (renamed from JMT Auto Limited, which was acquired through NCLT) and ACIL Limited (acquired through NCLT). The acquired entities have facilities for manufacturing various automotive and engineering parts, which would augment RKFL's product portfolio and client base. The foreign subsidiary, Ramkrishna Forgings LLC, USA facilitates overseas sales. The company acquired another foreign subsidiary in Mexico, namely Ramkrishna Forgings Mexico S.A. de C.V., in August 2024. Ramkrishna Titagarh Rail Wheels Limited, a 51:49 joint venture between RKFL and Titagarh Rail Systems Limited, has been formed to manufacture railway wheels. RKFL sold its equity stake in the erstwhile subsidiary, Globe All India Services Limited, which provides travel related services, in August 2024. In March 2025, RKFL received the NCLT order for merger of its subsidiary, ACIL Limited, with itself.

Key financial indicators

RKFL Consolidated	FY2023	FY2024	9M FY2025*
Operating income	3192.9	3954.9	3.090.3
PAT	247.4	342.2	371.1
OPBDIT/OI	22.1%	21.3%	21.7%
PAT/OI	7.7%	8.7%	12.0%
Total outside liabilities/Tangible net worth (times)	1.8	1.0	-
Total debt/OPBDIT (times)	1.9	1.4	-
Interest coverage (times)	5.8	5.5	5.7

Source: Company, ICRA Research; *Unaudited; All ratios as per ICRA's calculations; Amount in Rs. crore

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 (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	May 07, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Term Loans	Long term	490.05	[ICRA]AA-; rating watch with developing implications	Jul 12, 2024	[ICRA]AA- (Stable)	Jan 08, 2024	[ICRA]A+ (Positive)	Mar 01, 2023	[ICRA]A+ (Stable)
				-	-	May 09, 2023	[ICRA]A+ (Stable)	Dec 12, 2022	[ICRA]A (Positive)
				-	-	-	-	Jun 30, 2022	[ICRA]A (Stable)
Fund-based working capital	Long term	655.00	[ICRA]AA-; rating watch with developing implications	Jul 12, 2024	[ICRA]AA- (Stable)	Jan 08, 2024	[ICRA]A+ (Positive)	Mar 01, 2023	[ICRA]A+ (Stable)
				-	-	May 09, 2023	[ICRA]A+ (Stable)	Dec 12, 2022	[ICRA]A (Positive)
				-	-	-	-	Jun 30, 2022	[ICRA]A (Stable)
Fund-based working capital	Long term/ short term	55.00	[ICRA]AA-; rating watch with developing implications / [ICRA]A1+; rating watch with developing implications	Jul 12, 2024	[ICRA]AA- (Stable)/ [ICRA]A1+	Jan 08, 2024	[ICRA]A+ (Positive)/ [ICRA]A1	Mar 01, 2023	[ICRA]A+ (Stable)/ [ICRA]A1
				-	-	May 09, 2023	[ICRA]A+ (Stable)/ [ICRA]A1	Dec 12, 2022	[ICRA]A (Positive)/ [ICRA]A1
				-	-	-	-	Jun 30, 2022	[ICRA]A (Stable)/ [ICRA]A1
Non-fund based limits	Short term	330.00	[ICRA]A1+; rating watch with developing implications	Jul 12, 2024	[ICRA]A1+	Jan 08, 2024	[ICRA]A1	Mar 01, 2023	[ICRA]A1
				-	-	May 09, 2023	[ICRA]A1	Dec 12, 2022	[ICRA]A1
				-	-	-	-	Jun 30, 2022	[ICRA]A1

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term – Term loans	Simple
Long term – Fund-based working capital	Simple
Long term/ Short term – Fund-based working capital	Simple
Short term - 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	Long term – Term loan -1	10-Jul-23	NA	30-Jun-30	55.56	[ICRA]AA-; rating watch with developing implications
NA	Long term – Term loan -2	12-Jul-19	NA	01-Jul-30	54.40	[ICRA]AA-; rating watch with developing implications
NA	Long term – Term loan -3	06-Mar-23	NA	31-Aug-29	153.93	[ICRA]AA-; rating watch with developing implications
NA	Long term – Term loan -4	24-Dec-18	NA	30-Jun-27	70.00	[ICRA]AA-; rating watch with developing implications
NA	Long term – Term loan -5	24-Feb-23	NA	31-Dec-27	62.50	[ICRA]AA-; rating watch with developing implications
NA	Long term – Term loan -6	21-Jan-23	NA	30-Jun-31	35.56	[ICRA]AA-; rating watch with developing implications
NA	Long term – Term loan -7	21-Sep-22	NA	31-Dec-28	58.10	[ICRA]AA-; rating watch with developing implications
NA	Long term – Fund-based working capital	NA	NA	NA	655.00	[ICRA]AA-; rating watch with developing implications
NA	Long term/ Short term – Fund-based working capital	NA	NA	NA	55.00	[ICRA]AA-; rating watch with developing implications / [ICRA]A1+; rating watch with developing implications
NA	Short term - Non-fund based limits	NA	NA	NA	330.00	[ICRA]A1+; rating watch with developing implications

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company Name	RKFL's ownership	Consolidation Approach
Globe All India Services Limited (Formerly Globe Forex & Travels Limited)**	100%	Full consolidation
Ramkrishna Forgings LLC, USA	100%	Full consolidation
Multitech Auto Private Limited	100%	Full consolidation
Mal Metalliks Private Limited^	100%	Full consolidation
Ramkrishna Casting Solutions Limited (formerly JMT Auto Limited)	100%	Full consolidation
ACIL Limited	100%	Full consolidation
Ramkrishna Forgings Mexico S.A. de C.V.^	100%	Full consolidation
Ramkrishna Titagarh Rail Wheels Limited*	51%	Equity method

Source: Company's annual report for FY2024

Note: The erstwhile subsidiaries Ramkrishna Aeronautics Private Limited and RKFL Engineering Industry Private Limited were merged with ACIL Limited and JMT Auto Limited, respectively, in FY2024

^RKFL's stepdown subsidiary (100% subsidiary of Multitech Auto Private Limited)

*51:49 joint venture with Titagarh Rail Systems Limited

**Was a subsidiary of RKFL till August 31, 2024, RKFL has sold its stake in the company

^^Acquired with effect from August 13, 2024

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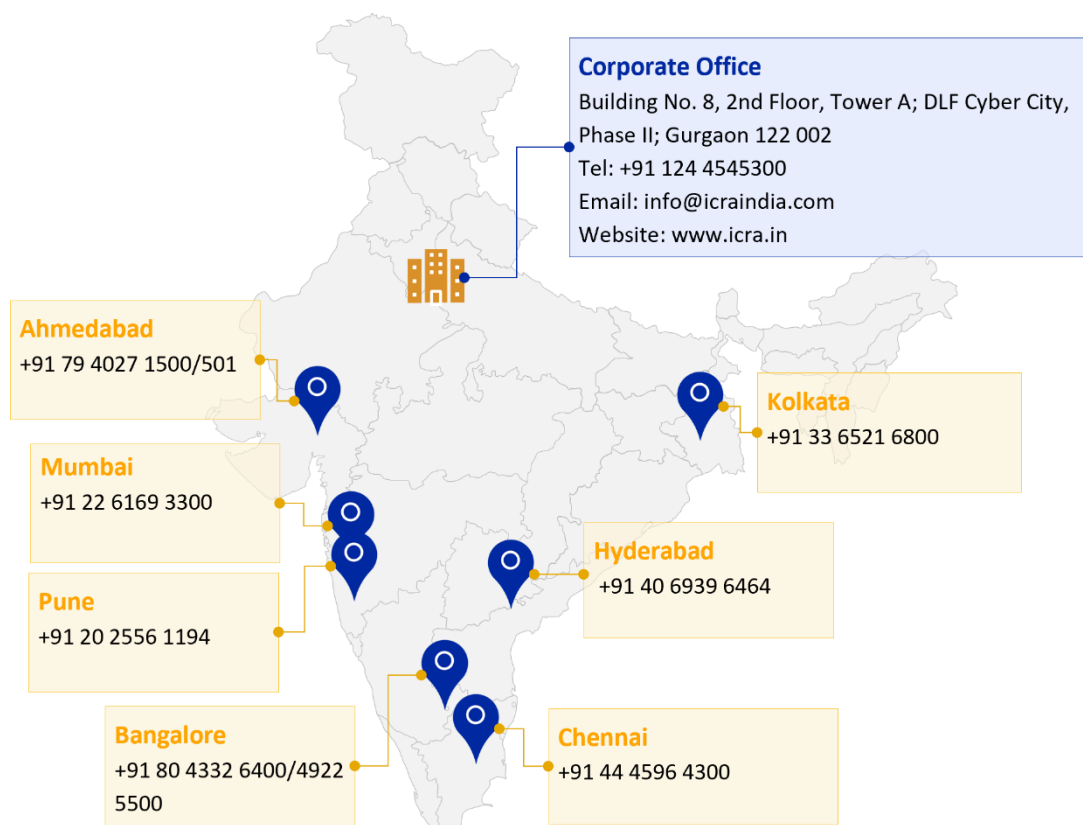
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