

## Rajnandini Metal Limited

November 28, 2023

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	100.00	CARE BBB-; Stable	Reaffirmed; Outlook revised from Negative

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has reaffirmed the ratings assigned to the bank loan facilities of Rajnandini Metal Limited (RML), while the outlook stands revised to 'Stable' from 'Negative' on account of RML's decision to postpone the new project at least for period of 1 year to Sep'24 and further plans to fund the project through equity instead of debt. The ratings assigned to the bank facilities of Rajnandini Metals Limited (RML) continues to derive strength from the qualified and experienced promoter group along with established track record of operations, reputed clientele albeit with client concentration risk, and comfortable operating cycle. The ratings, however, continue to remain constrained due to small track of operations, RML's presence in a competitive downstream non-ferrous metal product industry resulting in low bargaining power, thin profitability margins, susceptibility to volatile raw material prices and High gearing levels.

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

#### Positive factors

- Increase in the total operating income beyond Rs.1200cr or PBILDT margin of 3%
- Improvement in overall gearing to below 1.5 times on sustained basis

#### Negative factors

- Increase in working capital cycle beyond 90 days
- Increase in gearing above 2.5x

### Analytical approach: Standalone

**Outlook:** Stable, CARE has revised its outlook on the long-term bank facilities of Rajnandini Metals Limited (RML) to 'Stable' from 'Negative' while reaffirming the rating at CARE BBB-. This change in outlook is attributed to RML's decision to postpone the new project atleast for period of 1 year to Sep'24 and further plans to fund the project through equity instead of debt. Earlier the company has projected to undertake expansion project in setting up home appliances unit for total project cost of Rs.70 crore funded through debt of Rs.50 crore and remaining through internal accruals.

Based on the same, it is anticipated that the gearing will continue to align with the levels observed in FY23. However, the ratings may be revised downwards in the event company undertake the said project before the stated timeline or undertake debt exposure to fund the project.

### Detailed description of the key rating drivers:

#### Key strengths

##### Experienced and resourceful promoter group with an established track record of operations in the industry:

Rajnandini Metal Limited (RML) was incorporated on March 2010 by Mr. Mohan Sharma. Mr. Het Ram, aged 40 years, Promoter & Managing Director of RML has a rich experience of 20 years in the similar line of business. Mr. Ashok Kalra, is another Director of RML. Mr. Manoj Kumar Jangir 40, aged, is the Chief Financial officer of RML. He has vast experience of over 17 years in finance, audit and accounts. Apart from this the promoters of the company were earlier engaged in trading of copper material and therefore have long experience in copper industry and relationship with the suppliers.

##### Established relations with reputed clientele albeit with client concentration risk:

The company's business risk profile continues to be benefited from its association with reputed clientele along with healthy brand visibility in CCR rods, wires and cables segment. RML's major clientele include Kei Industries Ltd., Svarn Infratel Private Limited, RML has offered high quality services/ products which has led to repeat business from key customers.

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

The company's top 5 customers contributed ~66% of the total operating income in FY23 (refers to the period April 1 to March 31) and 76% as on March 31, 2022. This exposes RML's revenue growth and profitability to its customer's future growth plans.

#### **Growing scale of operations albeit softened profitability margins:**

The operating performance of the company as exhibited by the total operating income has improved marginally from Rs. 1028.25 crores in FY22 to Rs. 1039.02 cr. Gross cash accruals of the company also improved in FY23 from Rs.11.63 crore to Rs.15.19 crore mainly on account of improved margins generated by the company. The profitability margins of the company dependent on fluctuation of raw material prices coupled with sales made from various segment. Out of the total cost, 90% comprise of raw material (copper) where the prices are fluctuating frequently. The PBILDT margin and PAT margins of the company improved at 2.84% and 1.31% in FY23 as against 1.87% and 0.98% in FY22 respectively.

Further in H1FY24, RML has achieved the sale of Rs.598.96 crore with GCA of Rs.11.64 crore. PBILDT and PAT margin stood at 2.76% and 1.85% respectively in H1FY24.

#### **Comfortable operating cycle:**

RML working capital cycle remain moderate as reflected by operating cycle of 21 days at the end of FY23 & 15 days in FY22. The company procures raw material from local vendors and receive very low credit period of 7 to 12 days and have to rely on the working capital limits and own funds to meet the working capital requirement. RML offer low credit period to its customers and is also holding inventory for period of around 10-20 days. Due to the moderate working capital cycle the working capital utilization also remain low at 60% during the last 12 months ended March 31, 2023. However, with the growing scale of operations, there is increase in company working capital requirement, leading to deterioration in the overall gearing as on March 31, 2023.

#### **Key weaknesses**

##### **Small track record of operations:**

Rajnandini Metal Limited has started their manufacturing unit in November 2019 and prior to that company was engaged in business of trading of scrap for all types of ferrous and Non-ferrous Metals such as Copper Wires, ingot scrap, and other related items used in various electrical and industrial applications. Due to small track record of the company in manufacturing segment limit the financial flexibility of the company.

##### **Susceptibility of profitability to volatility in raw material prices:**

The primary raw materials for the company are copper scrap. Copper scrap contributes around 90% of the total raw material cost consumed during the past three years ended FY23, the scrap is purchased at the prevailing market rate depending on the quality of scrap. However, the absence of any long-term contracts and lag effect in the order of raw materials and delivery to the manufacturing facilities exposes the company to the vagaries of the commodities price cycle. Although the company tries to match the procurement with the order being received and normally an equivalent quantity of scrap on the date of order to reduce the pricing mismatch. The prices of these raw materials are market driven and have been reflecting high volatility in the recent past. However, to reduce the risk of raw material price fluctuations, RML procures raw materials based on orders it receives from customers and the sale price of the copper rods is based on the raw material price on the day of the order received.

On account of the same PBILDT margin of the company improved at 2.84% in FY23 from 1.87% in FY22 on account of better realisations. The PAT margin of the company also improved at 1.31% in FY23 as against 0.98% in FY22. The profitability margins of the company dependent on fluctuation of raw material prices coupled with high competition prevailing in the industry. Out of the total cost, 90% comprise of raw material (copper) where the prices are volatile.

##### **Highly fragmented and Cyclic nature of the copper industry:**

The industry for metal products is highly fragmented with a large number of local unorganized and organized players in the market. Copper is part of a metal industry which is cyclical and is sensitive to the shifting business cycles including changes in the general economy, interest rates and seasonal changes in the demand and supply. The producers of metal construction materials are essentially price-takers in the market, which directly expose their cash flows and profitability to volatility in metal prices. Hence, the margins continue to remain under pressure due to fragmentation and low bargaining power across the industry.

##### **Liquidity: Adequate**

RML's liquidity remained adequate marked by moderate utilization of its fund based working capital limits at around ~43% in the trailing 12 months ended March 2023 and comfortable current ratio of 1.20x as on March 31, 2023. Further the company has low repayment of Rs.2.37 cr in FY24 as against GCA of Rs.15.19 crore in FY23 which expected to improve in near future. With the increasing scale of operations and moderate GCA the liquidity appears moderate.

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

## Applicable criteria

[Policy on default recognition](#)  
[Financial Ratios – Non financial Sector](#)  
[Liquidity Analysis of Non-financial sector entities](#)  
[Rating Outlook and Credit Watch](#)  
[Manufacturing Companies](#)  
[Non Ferrous Metal](#)  
[Policy on Withdrawal of Ratings](#)

## About the company and industry

### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Commodities	Metals & Mining	Non - Ferrous Metals	Copper

Rajnandini Metals Ltd was incorporated in March 2010 by Mr. Mohan Sharma. RML is in the production of copper rod and wires with annual capacity of 4500 ton per month (presently operating at 50% capacity). The company has set up its manufacturing plant in Nov'19 and prior to that company was engaged in business of trading of scrap of all types of ferrous and Non-ferrous Metals such as Copper Wires, ingot scrap, and other related items used in various electrical and industrial applications.

Now RML is engaged in manufacturing of Copper Rods, Wires etc. Product Portfolio of RML includes diversified product range which includes variety of grades, thickness, widths and standards of copper according to customer specifications.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	H1FY24 (UA)
Total operating income	1,028.25	1,036.03	598.96
PBILDT	19.19	26.56	16.55
PAT	10.03	13.66	11.09
Overall gearing (times)	1.74	1.74	NA
Interest coverage (times)	4.83	3.65	3.78

A: Audited UA: Unaudited NA: Not Available; Note: 'the above results are latest financial results available'

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

**Any other information:** Not Applicable

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

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various 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 along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	95.00	CARE BBB-; Stable
Fund-based - LT-Term Loan		-	-	January 2028	5.00	CARE BBB-; Stable

**Annexure-2: Rating history for the 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 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Cash Credit	LT	95.00	CARE BBB-; Stable	1)CARE BBB-; Negative (14-Jun-23)	1)CARE BBB-; Stable / CARE A3 (30-May-22)	-	-
2	Fund-based - LT-Term Loan	LT	5.00	CARE BBB-; Stable	1)CARE BBB-; Negative (14-Jun-23)	1)CARE BBB-; Stable (30-May-22)	-	-

\*Long term/Short term.

**Annexure-3: Detailed explanation of covenants of the rated instruments/facilities:** Not Applicable**Annexure-4: Complexity level of the various 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 the lender wise details of bank facilities please [click here](#)

**Note on the complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

### Contact us

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