

Ram Ratna Wires Limited

July 09, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	70.00	CARE A-; Stable	Assigned
Long-term / short term bank facilities	210.00	CARE A-; Stable / CARE A2+	Assigned
Short-term bank facilities	183.00	CARE A2+	Assigned

Rationale and key rating drivers

The ratings assigned to the bank facilities of Ram Ratna Wires Limited (RRWL) derive strength from its experienced and resourceful promoters, its prominent position in the copper winding wires industry in India, long-standing association with reputed clientele, RRWL's comfortable capital structure, and adequate liquidity supported by continuous improvement in working capital cycle leading to healthy cash flow from operations. Ratings also factor expected growth in RRWL's total operating income (TOI) and diversification of its revenue stream consequent to commencement of commercial production of manufacturing copper tubes from Q3FY25 (FY refers to April 01 to March 31).

The rating strengths are however, partially offset by RRWL's thin profitability and moderate debt coverage indicators, which are further susceptible to copper price volatility, and prevalent competition in the copper winding wire industry from the unorganised segment.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Healthy off-take from up-coming copper tube plant, leading to substantial growth in revenue and improvement in profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin above 5% on a sustained basis.
- Improving debt coverage indicators and liquidity cushion marked by PBILDT interest coverage above 4x on a sustained basis and total debt to PBILDT (TD/PBILDT) below 2.50x on a sustained basis.
- Improvement in overall gearing below 0.75x on a sustained basis.

Negative factors

- Large size debt-funded capital expenditure or higher-than-envisaged increase in working capital intensity leading to deterioration in overall gearing above 1.25x on a sustained basis.
- Deterioration in PBILDT interest coverage below 2.50x on a sustained basis.

Analytical approach: Consolidated

CARE Ratings Limited (CARE Ratings) has taken a consolidated view of RRWL and its subsidiaries, Global Copper Private Limited (GCPL; 60% stake), EPAVO Electricals Private Limited (EEPL; 74% stake) and its joint venture (JV) RR-Imperial Electricals (10% stake), considering managerial and operational linkages. (Details of the subsidiaries is placed in Annexure - 6)

Outlook: Stable

Stable outlook reflects CARE Ratings expectations that RRWL shall be able to sustain its business risk profile in the medium term supported by its presence in the organised copper winding wire industry and initiative to diversify its product profile through ongoing capex in copper tube manufacturing.

Detailed description of key rating drivers:

Key strengths

Experienced promoters with established track record of operations in organised copper winding wire industry

RRWL is a part of the Mumbai-based RR Global group. RR Global group is promoted by Rameshwarlal Kabra, who has more than five decades of extensive experience in enamelled copper winding wire industry.

Presently, the company's operations are managed by Mahendra Kabra (Managing promoter, second generation), having more than three decades of experience in wire, cable and electrical product segment. He is supported by his son, Hemant Kabra (CFO, third generation), who has been associated with the company for more than a decade, manages finance, marketing, and industrial and consumer product business.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications.

Established market position catering to a reputed clientele base

RRWL is one of the leading players in the organised copper winding wires in India. The company caters to industries such as power, auto, consumer durables and transformers, and construction, among others. In the last three decades, RRWL has established long-term relationship with reputed Original Equipment Manufacturers (OEMs) and it currently supplies ~70% - 75% of its products to large OEMs, and balance sales are generated through its established dealer network.

Continuous increase in capacity utilisation level leading to volume driven growth in TOI

RRWL's TOI grew at a compounded annual growth rate (CAGR) of 20% in the last five years and reported a TOI of ₹2986 crore in FY24 (FY20: ₹1447 crore). On a y-o-y basis, RRWL's TOI grew by 12.65% to ₹2986 crore (FY23: ₹2651 crore) led by growth in capacity utilisation level and robust demand from end-user industries. The company's consolidated installed capacity increased to 45222 MTPA as on FY24-end as against 41866 MTPA as on FY20-end, while capacity utilisation increased to 84% in FY24 as against 70% in FY20.

Sales volume of enamelled copper winding wires accounting for ~80% of TOI, grew by 13.24%, while sales volume of copper tubes, which accounted ~11% of TOI grew by around 12.87% in FY24 over FY23.

CARE Ratings expects significant growth in RRWL's TOI with diversification in its revenue stream post commencement of commercial production of its enhanced capacity for manufacturing copper tubes.

Focus on product diversification with expansion of copper tubes facility at Bhiwadi, Rajasthan

RRWL is currently undertaking a capex for setting up a new plant for manufacturing of copper tubes having an installed capacity of 24,000 MTPA at Bhiwadi, Rajasthan. The capex is expected to be fully operational by the end of December 2024. The total project cost is around ₹200 crore, proposed to be funded partly through proceeds from sale of its stake in R R Kabel Limited and balance through internal accruals.

With the government's push to domestic copper tubes manufacturing sector through imposition of anti-dumping duty on copper tubes imported from Vietnam, Thailand, and Malaysia, and increasing demand of air-conditioning and refrigeration from the end-user segment, the management expects the plant to achieve healthy capacity utilisations in the first year of operations itself. Scaling up of operations and achievement of envisaged TOI and profitability along with effective management of incremental working capital requirements remains key monitorable from the credit perspective.

Comfortable capital structure

RRWL's capital structure stood comfortable, marked by overall gearing of 0.90x (FY23: 1.29x) and total operating liabilities to total net worth (TOL/TNW) of 1.10x as on March 31, 2024 (FY23: 1.49x). With no major debt-funded capital expenditure in the near term and healthy accretion of profits to reserves, CARE Ratings expects overall gearing to remain largely stable in the projected period. However, its debt coverage indicators remained moderate mainly due to thin profitability and use of bank borrowings for meeting its large working capital requirement.

Key weaknesses**Low value addition resulting in thin profitability and moderate debt coverage indicators**

As a result of low value addition in the winding wires industry, the company's PBIDLT margin remains in the range of 4% to 5%. The company is merely a converter, where it charges fixed conversion charges to its consumers. In FY24, the company's PBILDT and profit after tax (PAT) margin remained stable at 4.11% (FY23: 4.18%) and 1.83% (FY24: 1.77%) respectively. PBILDT per tonne for copper winding wire and copper tubes divisions remained stable above ₹30,000/tonne and ₹50,000/tonne respectively during last two years ended FY24.

In line with moderate profitability and gross cash accruals (GCA) levels, debt coverage indicators marked by PBILDT interest coverage and TD/GCA also remained moderate at 3.02x (FY23: 3.32x) and 5.51x (FY23: 6.35x) respectively.

Profitability susceptible to volatility in raw material prices

RRWL's profitability is exposed to sharp fluctuations in raw material prices (mainly copper), which forms ~95% of total cost of sales for the company. Majority (more than 95%) of the inventory holding remains order-backed, where raw material is sourced back-to-back from suppliers against confirmed orders, mitigating price volatility of raw materials to a large extent.

Prevalent competition in copper winding wire industry from unorganised players

RRWL operates in a highly competitive and fragmented copper winding wire industry characterised by the presence of numerous organised and unorganised players, given the low technical expertise requirement and value addition in manufacturing winding wires. RRWL is one of the largest organised players within the industry and its long-standing relationships provide it with a competitive edge over unorganised players in the industry.

Liquidity: Adequate

RRWL's liquidity remains adequate characterised by sufficient cushion in its GCA against its debt repayment obligation, moderate utilisation of fund-based limits, lean operating cycle and generation of healthy cash flow from operations. As on March 31, 2024, the company had free cash and liquid investments of ₹39.28 crore. Cash flow from operations remained healthy at ₹105.32 crore in FY24 (₹49.57 crore in FY23).

RRWL's working capital cycle shortened to 37 days in FY24 as against 69 days in FY20, mainly due to an increase in funding of working capital requirement through letter of credit (LC) backed borrowings and focus on improving collection efficiency. The company's receivable days improved gradually to 40 days in FY24 as against 57 days in FY20 owing to efficient utilisation of channel financing mechanism and discounting / factoring invoices of its customers.

Average month-end utilisation of working capital limits (FB+NFB) remained moderate at 57% for 12-months ended March 2024, while limits of its subsidiary companies remained utilised at around 80-85% for 12-months ended March, 2024. Enhancement in working capital limits by ₹100 crore for its newly expanded capacity is expected to further aid the company's liquidity cushion.

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

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Non Ferrous Metal](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macro-economic indicator	Sector	Industry	Basic industry
Industrials	Capital goods	Industrial products	Aluminium, copper and zinc products

Ram Ratna Wires Limited (RRWL (CIN: L31300MH1992PLC067802) was incorporated in 1992 by Rameshwarlal Kabra and his sons, Tribhuvan Prasad Kabra, Mahendra Kumar Kabra, and Shreegopal Kabra. In 1997, the company was listed on the Bombay Stock Exchange (BSE).

RRWL is engaged in manufacturing enamelled copper and aluminium winding wires, submersible winding wires and copper tubes under RR Shramik brand.

RRWL has three manufacturing facilities, two of which are at Silvassa and one in Dadra Nagar Haveli, Gujarat, with a total installed capacity of 40422 metric tonne per annum (MTPA) for copper winding wires, aluminium winding wires and submersible winding wires as on March 31, 2024.

RRWL has two subsidiaries Global Copper Private Limited (GCPL) and EPAVO Electricals Private Limited (EEPL). GCPL's manufacturing facility is at Vadodara, Gujarat, having an installed capacity of 6600 MTPA as on May 31, 2024 (increased from 4800 MTPA as on March 31, 2024), while EEPL is engaged into manufacturing of BLDC motors, HVLS fans and submersible pumps, et.

Consolidated:

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (Abridged)
Total operating income	2,651.19	2,986.49
PBILDT	110.78	122.86
PAT	47.00	54.62
Overall gearing (times)	1.29	0.90
Interest coverage (times)	3.32	3.02

A: Audited; Note: 'the above results are latest financial results available'

Standalone:

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (Abridged)
Total operating income	2329.57	2618.30
PBILDT	93.31	103.16
PAT	42.91	50.40
Overall gearing (times)	1.12	0.75
Interest coverage (times)	3.58	3.39

A: Audited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: None**Any other information:** Not applicable**Rating history for last three years:** Annexure-2**Covenants of rated instruments / facilities:** 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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	70.00	CARE A-; Stable
Fund-based - LT/ ST-Working Capital Demand loan		-	-	-	70.00	CARE A-; Stable / CARE A2+
Fund-based - LT/ ST-Working Capital Limits		-	-	-	135.00	CARE A-; Stable / CARE A2+
Fund-based - ST-Working Capital Demand loan		-	-	-	58.00	CARE A2+
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	5.00	CARE A-; Stable / CARE A2+
Non-fund-based - ST-Letter of credit		-	-	-	125.00	CARE A2+

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 2024-2025	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
1	Fund-based - LT/ ST-Working Capital Demand loan	LT/ST	70.00	CARE A-; Stable / CARE A2+				
2	Non-fund-based - ST-Letter of credit	ST	125.00	CARE A2+				
3	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	5.00	CARE A-; Stable				

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	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	Date(s) and Rating(s) assigned in 2021-2022
				/ CARE A2+				
4	Fund-based - LT-Cash Credit	LT	70.00	CARE A- ; Stable				
5	Fund-based - ST-Working Capital Demand loan	ST	58.00	CARE A2+				
6	Fund-based - LT/ST-Working Capital Limits	LT/ST	135.00	CARE A- ; Stable / CARE A2+				

LT: Long term; ST: Short term; LT/ST: Long term/Short 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/ ST-Working Capital Demand loan	Simple
3	Fund-based - LT/ ST-Working Capital Limits	Simple
4	Fund-based - ST-Working Capital Demand loan	Simple
5	Non-fund-based - LT/ ST-Bank Guarantee	Simple
6	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

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

Annexure-6: List of entities consolidated

Sr No	Name of the entity	% of RRWL's shareholding	Extent of consolidation	Rationale of Consolidation	Primary Business Activity
1	Global Copper Private Limited	60%	Full consolidation	Subsidiary	Manufacturing of straight copper tubes, level wound copper coils, and pancake copper coils, among others
2	EPAVO Electricals Private Limited	74%	Full consolidation	Subsidiary	Manufacturing of BLDC motors for air conditioners, HVLS fans, and submersible pumps, among others.
3	RR - Imperial Electricals (JV)	10%	Equity Method	Joint Venture	Manufacturing and trading enamelled copper wires in Bangladesh

Note on complexity levels of rated instruments: CARE 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.

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About us:

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