

Rajnandini Metal Limited

October 16, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	130.00	CARE BB; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BB+; Stable and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

Rajnandini Metal Limited (RML) has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE Ratings Ltd.'s rating on RML's bank facilities will now be denoted as CARE BB; Stable; ISSUER NOT COOPERATING*.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

CARE Ratings Limited (CARE Ratings) has downgraded the ratings assigned to Rajnandini Metal Limited (RML) on account of thin PBILDT margins and net losses in Q1FY25, uncertainty and the possible impact on the credit profile of the company in view of the summon issued by Enforcement department to the promoters of RML requesting information on RML. The ratings also 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, and susceptibility to volatile raw material prices. The ratings, however, continues to derive strength from the qualified and experienced promoter group, reputed clientele albeit with client concentration risk, and comfortable operating cycle.

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
- Any Negative development by Enforcement Directorate impacting the credit profile of the company.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects that the company will continue to maintain the financial risk profile and benefit from experience of the promoters in the industry.

Detailed description of the key rating drivers:

Key weaknesses

Summon from Enforcement Directorate

During April 2024, Enforcement directorate has issued summon to the promoters of RML requesting financial information about the RML. The said information was sought due to financial transaction by RML with another company being subject to ED investigation. However as confirmed by the RML management, the company has not been subject to any search or seizure, none of its bank accounts has been frozen.

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

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, limits the financial and operational flexibility of the company.

Moderation in the financial risk profile as reflected by decline in profitability margin and increase in gearing level

There has been moderation in the financial risk profile of the company during FY24 as reflected by decline in the profitability margin and increase in gearing. There has been considerable decline in the profitability margin during Q1FY25 as reflected by PBILDT margin of 0.81% and net losses of 0.52%. The overall gearing of the company has increased to 1.77x as on March 31, 2024 as compared to 1.74x as on March 31, 2023. The increase in gearing is due to increasing working capital requirement funded through higher debt level. Also, the decline in profitability during Q1FY25 and Q4FY24 was majorly due to unavailability of raw material in the market and due to procurement of inferior quality raw material leading to higher processing cost.

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 FY24, 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.

PBILDT margin of the company moderated and stood at 1.98% in FY24 from 2.56% in FY23 on account of raw material price volatility. The PAT margin of the company also declined and stood at 1.25% in FY24 as against 1.32% 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.

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.

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 stable gross cash accruals:

The company's operating performance, as indicated by total operating income, has seen a slight improvement, and stood at Rs. 1220.93 crores in FY24 (PY: Rs.1036.03 crore) and Rs.314.61 crores in Q1FY25. Gross cash accruals also improved slightly and stood at Rs. 16.45 crores in FY24 and Rs.-0.93 crore in Q1FY25, though they remained largely consistent with the previous fiscal year.

Comfortable operating cycle:

RML working capital cycle remain moderate as reflected by operating cycle of ~37 days at the end of FY24 & 21 days in FY23. 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. Working capital utilization also remain around 80-90% during the last 12 months ended April 30, 2024. However, with the growing scale of operations, there is increase in working capital requirement, leading to deterioration in the overall gearing as on March 31, 2024.

Liquidity: Stretched

RML's liquidity remained stretched as marked by utilization of its fund based working capital limits at around ~80-90% in the trailing 12 months ended April 2024 and net losses reported by company in Q1FY25. Further the company has repayment of Rs.3.06 cr in FY25 as against GCA of Rs.16.45 crore in FY24 which expected to retain in near future. Current and Quick ratio of the company also stood moderate at 1.28x and 0.31x in FY24.

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](#)
[Non-Cooperation by Issuer](#)
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, 2023 (A)	March 31, 2024 (A)	Q1FY25 (UA)
Total operating income	1,036.03	1220.93	314.61
PBILDT	26.56	24.21	2.55
PAT	13.66	15.24	-1.65
Overall gearing (times)	1.74	1.77	Not Available
Interest coverage (times)	3.65	2.13	0.66

A: Audited; UA: Unaudited; 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: Annexure-2
Detailed explanation of covenants of rated instrument / facility: 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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	120.00	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	-	January 2028	10.00	CARE BB; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

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-Cash Credit	LT	120.00	CARE BB; Stable; ISSUER NOT COOPERATING*	1)CARE BB+; Stable (16-May-24)	1)CARE BBB-; Stable (28-Nov-23) 2)CARE BBB-; Negative (14-Jun-23)	1)CARE BBB-; Stable / CARE A3 (30-May-22)	-
2	Fund-based - LT-Term Loan	LT	10.00	CARE BB; Stable; ISSUER NOT COOPERATING*	1)CARE BB+; Stable (16-May-24)	1)CARE BBB-; Stable (28-Nov-23) 2)CARE BBB-; Negative (14-Jun-23)	1)CARE BBB-; Stable (30-May-22)	-

*Issuer did not cooperate; based on best available information.

LT: Long 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-Term Loan	Simple

Annexure-5: Lender details

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

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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