Rajputana Industries Limited

January 24, 2025

Facilities	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	26.77	CARE BBB+; Stable	Assigned
Long Term / Short Term Bank Facilities	17.03	CARE BBB+; Stable / CARE A3+	Assigned
Short Term Bank Facilities	26.20	CARE A3+	Assigned

Details of facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Rajputana Industries Limited (RIL) derives strength from strong operational and financial linkages with its parent, Shera Energy Limited (SEL), vast experience of its promoter along with the group's long track record of operations in the metal industry and its diversified product portfolio. The ratings also factor in volume driven growth in scale of operations and adequate liquidity of the company, further aided by receipt of IPO proceeds during H1FY25.
The rating further factors in expected benefits from the on-going product diversification capex which is expected to commence operations from April 2025.

The above rating strengths, however, are partially offset by RIL's moderate profitability which is further susceptible to volatility in input prices, its moderate financial risk profile and prevalent competition in the non-ferrous metal industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Volume driven growth in scale of operations leading to TOI above Rs.650 crore and PBILDT margin above 4.50% on a sustained basis
- Improvement in debt coverage indicators and liquidity cushion marked by PBILDT interest coverage above 3x on a sustained basis and Total Debt / PBILDT below 4x on a sustained basis
- Improvement in overall gearing below 1x on a sustained basis

Negative factors

- Any large size debt funded capital expenditure or higher than envisaged increase in working capital intensity leading to deterioration in overall gearing above 2x on a sustained basis and stress on debt coverage indicators and liquidity position of the company
- Deterioration in PBILDT interest coverage below 1.75x on a sustained basis

Analytical approach: Standalone, factoring in linkages with the parent company i.e. Shera Energy Limited (SEL)

Outlook: Stable

Stable outlook reflects CARE Ratings expectations that RIL will continue to benefit from it being a part of Shera group and its established relationship with various clientele. Furthermore, expansion of product portfolio shall support growth in its scale of operations going forward.

Detailed description of key rating drivers:

Key strengths

Part of Shera group having an established track record of operations with diversified product portfolio

RIL is a subsidiary of SEL, collectively referred to as Shera group, which was promoted by Mr. Sheikh Nassem, who has over two decades of experience in the non-ferrous metal industry. RIL specializes in the scrap recycling of non-ferrous metals, such as copper, aluminium, and brass. RIL is engaged in manufacturing of copper, aluminium and brass extruded and drawn products like billets/ingots, Tubes/pipes, Hollow/solid rods, sections and profiles etc.
Though initially, it sold majority of its output to group companies, the portion of third-party sales has increased from FY24 onwards. RIL benefits from it being a part of Shera group and its established relationship with various clientele.

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

Continuous increase in capacity utilizations leading to volume driven growth in TOI

RIL's TOI grew at a CAGR of 16% over the last five years, ending FY24 (Standalone). In FY24, RIL's TOI grew by 28% year-on-year to Rs.326.52 crore, driven by a 29.44% growth in sales volumes to 6,594 MTPA in FY24 from 5,094 MTPA in FY23. RIL's capacity utilisation stood healthy at 89% in H1FY25 as against 49% in FY20. During FY24, RIL's sales to third parties (other than group companies) has increased to 45% of TOI as against 9% in FY23.

In H1FY25 (provisional), RIL reported a TOI of Rs.258 crore, compared to Rs.143 crore in H1FY24, supported by higher sales volume and increase in sales realisation. CARE Ratings expects RIL to sustain its volume growth and achieve a TOI of around Rs.500 crore in FY25.

Expansion of value-added product portfolio, albeit healthy off-take from the same shall remain key monitorable

RIL is undertaking a capex to manufacture nickel-based alloys, copper cables and wires, and aluminium conductors with an installed capacity of approximately 2700 MTPA. The total cost of the capex is estimated at Rs.18.65 crore, to be funded through a mix of debt and internal accruals.

Scaling up of operations, along with achievement of envisaged TOI and profitability as well as effective management of incremental working capital requirements, will be key monitorable from the credit perspective

Key Weaknesses

Low value-added products leading to moderate profitability

RIL's PBILDT margin have ranged from 3.30% to 5.40% over the past five years, influenced by raw material price fluctuations and product mix changes.

In FY24, the PBILDT margin improved to 5.39% from 4.87% in FY23 owing to improved gross realizations. However, the operating margin declined to 3.39% in H1FY25 as the company offering cash discounts to boost sales volume, gain market share and reduce its reliance on bank borrowings for working capital requirements. Nevertheless, the PAT margin remained stable at 1.58% in H1FY25, (FY24: 1.57%), due to reduced interest costs.

Improving financial risk profile, albeit continues to remain moderate

RIL's financial risk profile has improved over the last three years, with overall gearing reducing from 2.03x at FY22-end to 1.82x at FY24-end.

The company's net worth increased to Rs.59.67 crore as on September 30, 2024 (FY24-end: Rs.32.58 crore) due to receipt of IPO proceeds of ~Rs.23.88 crore in August 2024. This led to improvement in overall gearing and TOL/TNW ratio of 1.06x (FY24: 1.82x) and 2.02x (FY24: 3.47x), respectively as on September-end. However, with planned debt-funded expansion in Q4FY25, leverage is expected to remain moderate during the projected period.

Debt coverage indicators remained moderate, with PBILDT interest coverage at 2.02x and TD/GCA at 6.31x in FY24 owing to moderate profitability and GCA levels. The interest coverage ratio improved to 3.62x in H1FY25 due to reduced interest costs.

Profitability vulnerable to volatility in raw material prices

RIL's profitability is exposed to sharp fluctuations in raw material prices (mainly copper), which forms ~95-96% of total cost of sales for the company. SEL at a group level procures inventory on a back-to back basis against confirmed order of the customers. Nevertheless, as RIL has a longer production time and hence maintains an inventory of around 80-90 days, a portion of which is not order-backed.

Presence in fragmented and competitive industry with low bargaining power

RIL operates in a highly competitive and fragmented winding wire / conductor industry characterised by the presence of numerous organised and unorganised players, given the low technical expertise requirement and value addition in manufacturing winding wires / rods and ingots. Due to intense competition in the industry, the bargaining power of the group remains low.

Liquidity: Adequate

RIL's liquidity remained adequate characterized by healthy cash flow from operations, moderate cushion available in cash accruals vis-à-vis term loan repayment obligations along with its modest capex requirements. Liquidity of the company is partly aided by receipt of IPO proceed in H1FY25 supporting company's incremental working capital requirement and capex plans.

Average utilisation of fund-based limits and non-fund-based limits remained moderate at 54% and 80% respectively for the trailing 12 months ended October 2024. Furthermore, access to RXIL and bill discounting facility helps the company to bridge the gap in working capital requirement.

Operating cycle of company remained satisfactory 34 days owing to adequate funding support from the creditors. Gross cash accruals during the projected period shall be adequate to fund the debt repayment obligation, which is expected to remain in the range of Rs.5.50 crore - Rs.7.50 crore during FY25-FY27. RIL has free cash and bank balance of Rs.0.07 crore as on March 31, 2024 apart from lien marked FD's of Rs.1.85 crore.

Applicable criteria

Definition of Default
Factoring Linkages Parent Sub JV Group
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

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Industrial Products	Cables - Electricals

Incorporated in 2011, Rajputana Industries Limited (RIL) is a subsidiary of Jaipur-based 'Shera Energy Limited' (SEL). During August 2024 the company got listed on National Stock Exchange (NSE) SME platform. As on September 30, 2024 SEL hold 51% stake in RIL.
RIL specializes in the scrap recycling of non-ferrous metals, such as copper, aluminium, and brass. RIPL is engaged in manufacturing of copper, aluminium and brass extruded and drawn products like billets/ingots, Mother shells, Tubes/pipes, Hollow/solid rods, sections and profiles etc. RIL's manufacturing facility located in Sikar, Rajasthan having an installed capacity of 11,600 MTPA.
RIL is undertaking a capex for manufacturing of nickel-based alloys, copper cables and aluminium conductors, which is expected to commence operations from FY26 onwards.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	September 30, 2024 (UA)
Total operating income	254.66	326.52	257.77
PBILDT	12.40	17.59	8.75
PAT	3.10	5.13	4.07
Overall gearing (times)	1.95	1.82	1.06
Interest coverage (times)	1.92	2.02	3.62

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: None

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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	April, 2029	26.77	CARE BBB+; Stable
Fund-based - LT/ ST-Cash Credit		-	-	-	16.78	CARE BBB+; Stable / CARE A3+
Fund-based - ST-Bank Overdraft		-	-	-	10.00	CARE A3+
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	0.25	CARE BBB+; Stable / CARE A3+
Non-fund-based - ST-Credit Exposure Limit		-	-	-	0.20	CARE A3+
Non-fund-based - ST-Letter of credit		-	-	-	16.00	CARE A3+

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-Term Loan	LT	26.77	CARE BBB+; Stable				
2	Fund-based - ST-Bank Overdraft	ST	10.00	CARE A3+				
3	Non-fund-based - ST-Letter of credit	ST	16.00	CARE A3+				
4	Fund-based - LT/ ST-Cash Credit	LT/ST	16.78	CARE BBB+; Stable / CARE A3+				
5	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	0.25	CARE BBB+; Stable / CARE A3+				
6	Non-fund-based - ST-Credit Exposure Limit	ST	0.20	CARE A3+				

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-Term Loan	Simple
2	Fund-based - LT/ ST-Cash Credit	Simple
3	Fund-based - ST-Bank Overdraft	Simple
4	Non-fund-based - LT/ ST-Bank Guarantee	Simple
5	Non-fund-based - ST-Credit Exposure Limit	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

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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