R & D Multiples (Metal Cast) Private Limited

February 06, 2025

Facilities	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	6.00	CARE BBB-; Stable	Reaffirmed
Long-term / Short-term bank facilities	11.00	CARE BBB-; Stable / CARE A3	Reaffirmed
Short-term bank facilities	19.00	CARE A3	Reaffirmed

Details of facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings for bank facilities of R & D Multiples (Metal Cast) Private Limited (RDMPL) continue to draw strength from established relationships with customers, healthy order book position, improved operating cycle, and improvement in performance marked by scale and margins in FY24 and 7MFY25. Ratings also factor in long track record of operations and experience of promoters in the valve manufacturing industry and stable industry outlook.

Rating strengths are partially offset by its moderate scale of operations, customer and supplier concentration risks, and presence in a highly competitive and fragmented industry with raw materials fluctuation risk. Ratings also consider the moderate capital structure of the entity.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth of 10-15% in scale of operations and diversification in the customer base and profit margins, with the profit before interest, lease rentals, depreciation and taxation (PBILDT) and profit after tax (PAT) margins exceeding 10% and 5%, respectively, on a sustained basis.
- Improvement in the net worth base translating into an improvement in the capital structure, with the overall gearing reaching below the 0.5x level on a sustained basis.
- Improvement in debt coverage indicators, with interest coverage exceeding 6x and total debt to gross cash accruals (TD/GCA) reaching below 2x on a sustained basis.

Negative factors

- Deterioration in liquidity, with the fund-based working capital limit utilisation exceeding 80% on a sustained basis.
- Substantial decline in the total operating income (TOI), with the PBILDT margin going below 5% on a sustained basis.
- Overall gearing exceeding 1x on a sustained basis.
- Operating cycle increasing beyond 150 days on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects CARE Ratings Limited's (CARE Ratings') expectations that the company will be able to sustain its credit risk profile considering long-standing experience of promoters, the company's healthy order book position.

Detailed description of key rating drivers:

Key strengths

Moderate-yet-improved scale of operation and PBILDT margin in FY24 and 7MFY25

In FY24, the company's TOI grew by 7.86% y-o-y to ₹140.60 crore in FY24 (against ₹130.36 crore in FY23) considering higher execution of orders. The PBILDT margin showed marginal improvement from 8.15% in FY23 to 8.46% in FY24 mainly considering lower material consumption cost. PAT margin remained stable at 4.07% in FY24 compared to 4.06% in FY24. In 7MFY25, company has achieved TOI of ₹74.08 crore with an improved PBILDT margin of 15.02% and PAT margin of 9.44%. The company procured raw materials, in advance and at a lower price in FY24. Recent orders fetched higher realisation, hence, low material cost resulted in improvement in PBILDT margin in 7MFY25. Going forward, the company's ability to maintain profitability at healthy levels on a sustained basis with operationalisation of the foreign subsidiary and improved execution of export orders remain a key monitorable.

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

Established relationships with customers, healthy order book position
Over the years, RDMPL's promoters have established healthy relationship with reputed companies involved in infrastructure, especially in water supply and power sector. The company established relations with reputed customers, including Larsen & Toubro Limited (L&T), Megha Engineering & Infrastructure Limited, NCC Limited, WPIL Limited, Laxmi Civil Engineering Services Private Limited, GVPR Engineers Limited among others, where the company continues to receive repeat orders from these reputed clients.
As on December 17, 2024, the company has a healthy order book position of ~₹230.30 crore (against ₹174.31 crore as on October 31, 2023), which comprises ₹9.46 crore for export contracts and ~₹220.85 crore for domestic order. This results in order book to sales (FY24) of 1.64x giving short-medium term revenue visibility. The domestic order book is moderately diversified with top five orders contributing to ~67%. Going ahead, to maintain ongoing healthy profitability margins, the company has increased focus on export orders.

Moderate operating cycle although improved
As of March 31, 2024, RDMPL's working capital cycle has improved to 63 days (compared to 74 days as of March 31, 2023), mainly due to procuring raw material under letter of credit resulting in elongated credit available from suppliers. In absolute terms, inventory has increased from ₹12.51 crore in FY23 to ₹25.64 crore in FY24, impacting the operating cycle. Higher inventory holding was driven by availability of material at a lower cost. Net cash flow from operating activities stood positive at ₹8.85 crore in FY24 (compared to a positive ₹10.48 crore in FY23). Overall, the operating cycle has shown improvement and is expected to stay in a similar range.

Long track record of operations and experienced promoters
RDMPL has been operating in the valve manufacturing business for the last three decades, with a focus on manufacturing industrial valves for water distribution and supply industry. Sunil Bagaria has an experience of around two decades in the valves manufacturing industry. Before setting up RDMPL, he was in the same line of business since the 1980s. He is supported by his son, Neerav Bagaria, who has over a decade of experience and manages daily operations. They are further backed by a skilled and experienced senior management team, each with substantial expertise in their respective areas.

Key weaknesses

Moderate capital structure and coverage indicators
RDMPL's overall gearing remain stable below unity at 0.89x as on March 31, 2024 (against 0.88x as on March 31, 2023) considering a marginal increase in term loans against the profitability. TDGCA slightly moderated to 3.85x as on March 31, 2024 (against 3.29x as on March 31, 2023) considering increase in debt including acceptances. Debt coverage indicator marked by interest coverage ratio has improved marginally to 3.40x as on March 31, 2024 (against 3.19x as on March 31, 2023), considering better profitability and stable interest cost.

Customer and supplier concentration risks
In FY24, top 10 customers constituted ~62.16% (PY: 81.49%) with single customer L&T contributing to 34.81% in FY24 (against 50.39% in FY23), exposing customer concentration risk. However, comfort is drawn from the reputed customer profile and repeat orders. In FY24, suppliers' concentration risk also remained high evident from top 10 suppliers accounted for 84.18% (against 92.21% in FY23) total purchase cost, of which, TAS Foundries Private Limited constituted 40.52% in FY24 (previous year: 44.80%) of total purchases, creating high dependence on single supplier. The company has been dealing with its customers and suppliers for over a decade and maintaining long-standing business relationship with them, which mitigates concentration risk up to a certain extent.

Susceptibility of margins to fluctuations in raw material prices and currency fluctuations
Steel castings and forgings comprise major raw materials for RDMPL. In the absence of long-term contracts with suppliers and considering high inventory holding, RDMPL is exposed to raw material price fluctuations. Moreover, due to competitive nature of the industry, increase in raw material prices is difficult to pass on to customers.

Liquidity: Adequate

The company's liquidity position remains adequate, marked by a sufficient GCA of ₹7.42 crore and net cash flow from operation of ₹8.85 crore in FY24. GCA is expected to remain in the range of ₹9-9.50 crore in FY25 against scheduled repayments of ₹1.54 crore. Average utilisation of working capital stood in the range of 70-75% for 12 months ending November 2024 providing extra cushion. Unencumbered cash and bank balance was ~₹0.36 crore as of October 31, 2024.

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

Applicable criteria

[Definition of Default]
[Liquidity Analysis of Non-financial sector entities]

Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments
Iron & Steel

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Industrial Products	Iron & Steel Products

Incorporated in 1989 and presently managed by Sunil Bagaria and Neerav Bagaria, RDMPL (formerly known as Quadrant Engineering Industries Private Limited) is an ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 certified company, engaged in manufacturing industrial valves (with the diameter of 15 MM to 4500 MM) catering to segments including water distribution & supply, power plants and infrastructure among others. RDMPL has three manufacturing plants in Gujarat. It manufactures customised valves per client specification. The company earns majority revenue from domestic markets (~10% is from export market) and sources its raw materials (S.G. cast iron, Rubber Casket and Actuator) requirements from the domestic market only.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	7MFY25 (UA)
Total operating income	130.36	140.60	74.08
PBILDT	10.62	11.89	11.13
PAT	5.29	5.73	7.00
Overall gearing (times)	0.88	0.89	0.45
Interest coverage (times)	3.19	3.40	5.22

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

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 facilities

Name of the Facility	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		-	-	-	6.00	CARE BBB-; Stable
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	11.00	CARE BBB-; Stable / CARE A3
Non-fund-based - ST-Bank Guarantee		-	-	-	14.00	CARE A3
Non-fund-based - ST-Letter of credit		-	-	-	5.00	CARE A3

Annexure-2: Rating history for last three years

Sr. No.	Name of the 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	6.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (17-Nov-23)	1)CARE BBB-; Stable (23-Nov-22)	1)CARE BBB-; Stable (02-Feb-22)
2	Non-fund-based - ST-Bank Guarantee	ST	14.00	CARE A3	-	1)CARE A3 (17-Nov-23)	1)CARE A3 (23-Nov-22)	1)CARE A3 (02-Feb-22)
3	Fund-based - ST-Bill Discounting/ Bills Purchasing	ST	-	-	-	1)Withdrawn (17-Nov-23)	1)CARE A3 (23-Nov-22)	1)CARE A3 (02-Feb-22)
4	Fund-based - LT-Term Loan	LT	-	-	-	1)Withdrawn (17-Nov-23)	1)CARE BBB-; Stable (23-Nov-22)	1)CARE BBB-; Stable (02-Feb-22)
5	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	11.00	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (17-Nov-23)	1)CARE BBB-; Stable (23-Nov-22)	1)CARE BBB-; Stable (02-Feb-22)
6	Non-fund-based - ST-Letter of credit	ST	5.00	CARE A3	-	1)CARE A3 (17-Nov-23)	1)CARE A3 (23-Nov-22)	1)CARE A3 (02-Feb-22)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated 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	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple
4	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

To view 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:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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