Remi Edelstahl Tubulars Limited

March 06, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	15.00	CARE BB+; Stable	Assigned
Short Term Bank Facilities	31.16	CARE A4+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Remi Edelstahl Tubulars Limited (RETL) is constrained by moderate scale of operations coupled with thin profitability, stretched debt coverage indicators, working capital intensive nature of operations, supplier concentration risk, susceptibility to fluctuation in raw material prices and presence in highly competitive & fragmented industry.
The ratings, however, derive strength from extensive experience of promoters in the industry, association with reputed clientele, comfortable leverage profile.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Volume based growth in Total Operating Income (TOI) to more than Rs.200 crore with profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin above 7% on sustained basis
- Improvement in working capital cycle below 100 days on sustained basis
- Improvement in total debt to gross cash accruals below 3x on a sustained basis

Negative factors

- Decline in TOI below Rs.125 crore and PBILDT below 5% on sustained basis
- Any un-envisaged debt funded capex leading to deterioration in overall gearing above unity.
- Repayment of preference shares via external debt; leading to deterioration in capital structure.

Analytical approach: Standalone

Outlook: Stable

The 'Stable' outlook reflects CARE Ratings Limited's (CARE Ratings') expectations that company shall continue to benefit from its experience of the promoters and established relationship with reputed clientele.

Detailed description of key rating drivers:

Key weaknesses

Moderate scale of operation accompanied with moderate profitability; albeit improvement in profitability metrics witnessed during FY24

TOI remained fluctuating in the last 5 years ended FY24. TOI moderated by 13% to Rs.117.18 crore in FY24 over FY23 on account of subdued demand from customers as indicated by decline in volume by 16.26% on y-o-y basis. Furthermore, company reported TOI of Rs. 97.84 crore in 9MFY25 (PY: Rs. 76.80 crore). The company has order in hand of Rs.69.19 crore as on February 21, 2025, the company projects to achieve TOI in the range of Rs.130-145 crore during FY25.
RETL's operating profitability exhibited a stable trend with a PBILDT margin within the range of 4-6% in the past three years ended FY24. It stood moderate at 5.34% during FY24 (PY:4.04%), improvement is on account of moderation in raw material prices and improvement in sales realization from Rs.1.14 lakhs per tonne to Rs.1.64 lakhs per tonne. Profit after tax (PAT) margin stood modest at 1.19% in FY24 as against 0.11% in FY23 on account of improved PBILDT, low interest and depreciation costs. Furthermore, during 9MFY25 the profitability has improved marked by PBILDT of 6.27% and PAT margin of 2.33%. However, the return on capital employed still remains on the lower side at 6%.

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

Working capital intensive nature of operations
The entity's operations are working capital intensive as reflected by Gross Current Asset (GCA) days 194 days (PY: 162 days) and working capital cycle of 163 days (PY: 144 days), owing to decline in TOI and increase in current assets mainly on account of increased receivables during FY24. Inventory holding period was high at 99 days in FY24 (PY: 93 days) further receivable days stood high at 84 days (PY: 80 days). Additionally, the company's payable days stood on a lower side of 19 days (PY: 28 days) indicating meagre credit period available from suppliers. Additionally, the cashflow from operation stood negative at Rs. 2.37 crore (PY: positive Rs. 18.69). Apart from reliance on working capital borrowing and non-fund-based limits, the company tends to rely on unsecured loans from promoters to fund the working capital requirements.

Supplier concentration risk and susceptibility to fluctuation in raw material price
RETL procures its raw material mainly from Jindal Stainless Limited. Therefore, RETL faces significant supplier concentration risk as it buys from large players with which it has limited bargaining power. The top 10 suppliers of the company contributed to over 74.91% of the total purchases of the company which exposes the company to supplier concentration risk. The cost of raw materials constituted approximately 74% of the total cost of sales and thus any fluctuation in prices can affect the profitability margins to great extent.

Presence in competitive & fragmented industry
The company operates in a highly competitive and fragmented steel industry and hence witnesses intense competition from both organized and unorganized players. This fragmented and highly competitive industry results into price competition thereby affecting the profit margins of the companies operating in the industry.

Key strengths

Extensive experience of promoters in the industry:
RETL has a long and established history in the stainless-steel manufacturing industry and began its operations in the year 1970 and is promoted by Mr. Vishwambhar C. Saraf, the Chairman and Mr. Rishabh R. Saraf, the Managing Director, who has experience in the field of manufacturing, production etc. and looks after day-to-day operations. Due to rich experience of promoters in the industry they have established strong relationships with customers and suppliers.

Association with reputed clientele despite concentration in revenue:
RETL has a reputed and diversified client portfolio across different industries/sectors i.e. Larsen & Toubro Limited, Indian Oil Corporation Ltd, Bharat Heavy Electricals Limited (BHEL) etc with good years of relationship. The top 10 customers account for 62.76% of total TOI for FY24, additionally dependence on single customer (L&T) remains high at 26.32% of the revenue, thus exposing to customer concentration risk.

Comfortable leverage profile; however debt coverage indicators remain stretched:
The company's total debt stood at Rs. 30.70 crore as on March 31, 2024, increased from Rs. 27.53 crore as on March 31, 2023. Its debt profile largely comprises working capital debt and unsecured loans from promoters and inter corporates. Considering nature of preference share capital, CARE Ratings, as per policy, has considered it as debt. It has modest net worth base, which stood at Rs.43.45 crore as on March 31, 2024 (PY: Rs. 42.31 crore). The total outside liabilities to net worth stood low at 0.94x as on March 31, 2024 (0.99x as on March 31, 2023).
Owing to improvement in profitability in FY24, the debt coverage indicators of the company, although improved, stood strained marked by total debt to profit before interest, lease rentals, depreciation and taxes (PBILDT) of 4.91x during FY24 (PY:5.06x). However, interest coverage ratio stood comfortable at 3.09x during FY24 (PY:2.36x). Going forward, improvement in profitability coupled with stable debt level as envisaged by the company remains a key monitorable.

Liquidity: Stretched

The company's liquidity position is currently stretched marked by negative cash flow from operations and low cash and bank balance on hand. cash flow from operations stood negative at Rs.2.37 crores, on account of funds being blocked in receivables and reduced payables. Further, the unencumbered cash and bank balance was around Rs. 0.03 crore as of March 31, 2024. However, cash accruals are expected remain moderate in the range of Rs. 7 to 7.5 crores in FY25 to meet its negligible debt repayment obligation. Additionally, current and quick ratio were satisfactory of 2.12x (P.Y. 1.92x) and 1.13x (P.Y. 0.88x) as of March 31, 2024, respectively. Furthermore, the bank limits of Rs. 15.00 crore were utilized at around 46.24% over the past 12 months ending November 2024 and the entity has also availed non-fund based limits of Rs.30.75 crore with average utilisation of 43% during last 12 months ended November, 2024. Moreover, to fund the working capital requirement the company relies on unsecured loans from promoters.

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

Remi Edelstahl Tubulars Limited (RETL), formerly known as Rajendra Mechanical Industries Limited, was incorporated in August 1970 under the Companies Act, 1956. The company is listed on the Bombay Stock Exchange since 1985. RETL's manufacturing facilities are in MIDC, Tarapur, Dist. Palghar, Maharashtra. The company produces stainless steel welded and seamless pipes and tubes, adhering to international American Society for Testing and Materials (ASTM standards), with a current installed capacity of approximately 10,445 metric tonnes per annum. The company's products are primarily used in industrial applications, serving clients such as refineries, petrochemical plants, thermal and nuclear power plant manufacturers, water treatment plants, and various other industries including paper, pharmaceutical, sugar, and chemical sectors.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	134.84	117.18	97.84
PBILDT	5.45	6.25	6.13
PAT	0.15	1.39	2.28
Overall gearing (times)	0.65	0.71	0.65
Interest coverage (times)	2.36	3.09	6.32

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 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		-	-	-	15.00	CARE BB+; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	20.00	CARE A4+
Non-fund-based - ST-Forward Contract		-	-	-	0.41	CARE A4+
Non-fund-based - ST-Letter of credit		-	-	-	10.75	CARE A4+

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	15.00	CARE BB+; Stable				
2	Non-fund-based - ST-Letter of credit	ST	10.75	CARE A4+				
3	Non-fund-based - ST-Bank Guarantee	ST	20.00	CARE A4+				
4	Non-fund-based - ST-Forward Contract	ST	0.41	CARE A4+				

LT: Long term; ST: 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	Non-fund-based - ST-Bank Guarantee	Simple
3	Non-fund-based - ST-Forward Contract	Simple
4	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.

Contact us

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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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