RKB Global Limited

March 11, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	22.50	CARE BB (RWD)	Placed on Rating Watch with Developing Implications
Short Term Bank Facilities	75.00	CARE A4+ (RWD)	Placed on Rating Watch with Developing Implications

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has placed the rating of bank facilities of RKB Global Limited (RKBGL) on "Rating Watch with Developing Implications (RWD)" following RR MetalMakers India Limited's (RRMIL) announcement dated February 28, 2025, that the directors have considered and approved, in-principle, the proposal for merger of RRMIL with RKBGL, which is managed by the same promoter group. Further, it is also proposed to merge RKB Steel Private Limited and RR Life Care Private Limited, the wholly owned subsidiaries of RKBGL, with RKBGL along with RRMIL. The proposed merger would bring synergies in business and reduction in costs of the merged entity. The said merger is expected to strengthen its operational risk profile while financial risk profile expected to remain at a similar level. CARE Ratings will continue to closely monitor developments on this announcement and would take a view accordingly on RKBGL's ratings post-merger.

The ratings, continue to be constrained by moderate scale of operations, moderate profitability margin and its susceptibility to price volatility risk. The ratings are further considered the improved albeit moderate debt coverage indicators, working capital intensive nature of operations and highly competitive and cyclical nature of industry.

The ratings, however, derived strength from the experienced & resourceful promoters and their long track record of operations in steel industry. The established relationship with diversified customer base and moderately concentrated supplier base also provides strength to its ratings.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in scale of operation to a level of around Rs. 450 crore on sustained basis
- Improvement in operating margin to above 8.00% and net profit margin to above 2.00% on a sustained basis
- Improvement in the debt coverage indicators marked by interest coverage exceeding 2x on a sustained basis
- Timely recovery of long-term receivables and conversion of iron-ore inventory into sales

Negative factors

- Substantial decrease in the scale of operations with PBILDT margin stood below 5% on a sustained basis
- Substantial elongation in working capital cycle marked by operating cycle exceeding 90 days.
- Deterioration in the debt coverage indicators with interest coverage falling below 1.40x on a sustained basis

Analytical approach: Standalone

Outlook: Not Applicable

Detailed description of key rating drivers:

Key weaknesses

Moderate scale of operations

The total operating income (TOI) of RKBGL increased from Rs. 360.00 crore in FY23 to Rs. 432.83 crore in FY24, (registering a growth of 20.23% on y-o-y basis) on the back of successful completion of the capex incurred during past thereby leading to increase the production capacities along with increase in the demand from its trading customers across steel trading segment. Nevertheless, the scale of operations continues to remain moderate.

Further during H1FY25, the company recorded TOI of Rs.162.22 crore (vis-à-vis Rs.168.18 crore in H1FY24). The company is expected to achieve moderate revenue growth in the near to medium term on the back of successful completion of its manufacturing facilities along with resumption of iron ore exports wherein the company has received an order book of Rs.50 crore to be executed by Jan 2025.

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

Moderate operating margin and thin net profitability margin
The profitability margins of RKBGL are directly linked with the raw material prices of steel which is volatile in the nature. The PBILDT margin has significantly improved albeit stood at moderate at 7.11% in FY24 from 4.84% in FY23 mainly on account of increase in the manufacturing revenues with improvement in the realization and subcontracting manufacturing activities conducted during the year led to higher realization. However, the PAT margin has slightly improved to 1.83% in FY24 as against 1.51% in FY23 on account of high interest cost incurred during the year. During H1FY25, the PBILDT margin has further improved to 8.73% on the back of continuous increase in the manufacturing revenues leading to higher realization during the said periods. The PAT margin significantly improved to 3.75% during H1FY25 on the back of lower interest cost incurred led by reduction in the debt levels.

Working capital intensive nature of operations
The entity's operations continued to remain working capital intensive as reflected by Gross Current Asset (GCA) period of 188 days in FY24 (PY: 161 days) mainly on account of funds blocked in inventory and receivables. Inventory holding period remained high albeit slightly reduced to 101 days in FY24 (PY: 109 days) due to gradual realization of long-standing iron ore inventory. Receivable period stood moderate at 43 days in FY24 (PY: 40 days). On the other hand, the payable period reduced during the year albeit remained high at 81 days in FY24 (PY: 91 days). Thus, the average operating cycle stood at 63 days in FY24 (PY: 48 days). Consequently, the utilization of its working capital limits stood high.

Long standing unsold iron ore inventory and unrealized trade receivables
RKBGL has long-standing 3.88 lakh metric tonnes (LMT) of iron ore inventory to the tune of Rs. 65.50 crore as on March 31, 2024 (as against Rs. 61.93 crore as on March 31, 2023) which remained unsold due to export ban on the iron ore during 2021. However, the same has reduced to 3.11 LMT valuing at Rs. 57.02 crore as on September 30, 2024. Further, it also has trade receivables amounting to Rs.12.54 crore which are due for more than 3 years as on March 31, 2024. Out of which Rs.1.53 crore have been realized and Rs. 11.01 crore still outstanding as on September 30, 2024. Hence, selling of the said inventory and timely realization of the sale proceed along with realization of the long-standing debtors remains key monitorable.

Project risk for its Capex plans
RKBGL plans to further increase the capacity of its manufacturing facilities. Currently, it has 3 sheds for manufacturing in Wada, Maharashtra and its plans to construct 2 additional sheds with total estimated cost of Rs. 27.00 crore to be incurred during FY25. Out of which Rs.6.21 crore is being funded through term loans from bank / financial institution and the rest through internal accruals. As of September 30, 2024, the company has already incurred Rs. 15.98 crore towards the same. Hence, timely completion and stabilization of the same remains critical.

Highly competitive and cyclical nature of industry
RKBGL is operating in a highly competitive industry due to the presence of various organized and unorganized players involved in the manufacturing of various steel products. Although, over the years the industry has become more organized with the share of unorganized players reducing, but margins continue to be under pressure due to fragmentation of the industry. Also, the steel industry is sensitive to the shifting business cycles including changes in the general economy, interest rates and seasonal changes in the demand and supply conditions in the market.

Key strengths
Long track record of operations in manufacturing & trading of steel products with experienced and resourceful promoters
RKBGL possesses a long track record of over nine decades of operations in manufacturing & trading of various steel products. The overall operations of RKBGL are looked after by the promoters Mr. Virat Shah, along with his son Mr. Alok Shah. Mr. Virat Shah has about five decades of experience in the similar line of business. Along-side, Mr. Alok Shah has over fourteen years of experience in the similar industry. The directors are supported by experienced and qualified second line of management having adequate experience in their respective fields. Until FY20, the company involved in trading of steel and iron products. However, since FY21 onwards, it set up its manufacturing units at Wada (Maharashtra) and Talod (Gujarat) and started manufacturing steel products. As a result of its long-standing existence, the company has established long-term relationships with its various customers, suppliers and other stakeholders.

Significant improvement in networth base leading to comfortable capital structure and moderate debt coverage indicators
During FY24, the company has made significant equity infusion to the tune of Rs.91.45 crore through various private placements / investors through issuance of 92.09 lakh Equity Shares and 1.48 lakh Cumulative Convertible Preference Shares (CCPS) to private investors at various issue prices ranging from Rs.65/- to Rs. 100/- each (Face value is Rs.10 per share and Share Premium ranging from Rs. 55/- to Rs. 90/- per share). As a result of the same, the tangible networth increased from Rs. 45.58 crore on March 31, 2023, to Rs. 143.94 crore on March 31, 2024. Further during H1FY25, the company has made equity infusion of Rs.49.50 crore including conversion of the CCPS into equity share capital which has resulted to increase in the tangible networth at Rs. 200.77 crore as on September 30, 2024. The equity proceeds have been primarily utilized toward reduction in the debt level along with funding of its working capital requirements.

As a result of the same, capital structure of the company has significantly improved marked by overall gearing of 0.92x as on March 31, 2024 (PY: 3.83x). The overall gearing further improved to 0.56x as on September 30, 2024.
Consequently, the debt coverage indicators also improved marked by total debt to GCA improved to 12.02x in FY24 as against 21.54x in FY23. However, the interest coverage stood weak at 1.45x in FY24 (PY: 1.69x). Nevertheless, the same has improved to 2.20x during H1FY25. The capital structure is likely to remain comfortable and the debt coverage to remain moderated in the near to medium terms.

Established relationship with diversified customer base and moderately concentrated supplier base
RKBGL has a portfolio of over 60 products with products ranging from roofing sheets, corrugated sheets to self-drilling screws and PEBs. As a result, the customer profile remained diversified with the top 10 customers comprising 37.03% of the net sales in FY24 which comprises healthy mix of both old and new clients in their portfolio. The supplier profile of the company is moderately concentrated with the top 10 suppliers comprising 85.92% of the total purchases in FY24. Nevertheless, the supplier base includes reputed Original Equipment Manufacturers (OEM) from which the company has distributorship arrangements.

Diversified portfolio of products
RKBGL is involved in trading and manufacturing with over 60 products in their portfolio. The company is a sole dealer in Maharashtra for 'Tata Bluescope' sheets which are used to prepare clean rooms to manufacture pharmaceutical, food and beauty products. It is also a sole dealer on the west coast for Tata steel Galvanized coils and a sole dealer in Mumbai for JSW 'Indradhanush' brand. RKBGL also trades Bare galvalume coils, GP Galvanished coils and Colour coated coils. The company also ventured into manufacturing of steel products which includes roofing sheets (galvanised and colour coated), self-driving screws, canopies, pipes, binding wires, bright bars, welding electrodes and Pre-Engineered builds (PEBs).

Liquidity: Adequate
The liquidity remained adequate, marked by comfortable current ratio, moderate quick ratio and healthy cash and equivalents. The current ratio stood at 1.78x, its quick ratio remained moderate at 0.75x as on March 31, 2024. The utilization of the working capital limits remained high as marked by average utilization and average maximum utilization of 76.34% and 87.23% respectively for the past 12 months ended October 2024. While cash-flow from operations was negative at Rs.29 crore in FY24 (PY: positive of Rs. 8.57 crore), due to a significant increase in inventory and receivables during the year. The unencumbered cash and bank balance was around Rs.17.90 crore as on March 31, 2024 (PY: Rs. 14.02 crore). The expected GCA level remains sufficiently cushioned against its debt repayments obligations of Rs. 5.33 crore for FY25 and Rs. 5.44 crore for FY26.

Assumptions/Covenants: Not Applicable

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
Wholesale Trading

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Metals & Mining	Diversified Metals	Diversified Metals

Established in 1932 as M/s Rajankumar and Bros. as a partnership in 1932, the entity was reconstituted as RKBGL in 2013. RKBGL is primarily engaged in trading of roofing sheets, galvanised coils, wire rods etc. (contributing around 80.85% of the total income for FY23). Traded goods and primary raw materials are procured from the domestic suppliers.
Further since FY21, RKBGL ventured in manufacturing business, through its an ISO 9001:2008 manufacturing facilities located at Wada, Maharashtra and Talod, Gujarat with 30 acres of factory footprint having an installed capacity of 94,360 MTPA which is utilized at around 72.70% in H1FY25.

The company primarily manufactures colour coated/galvanised corrugated sheets, roofing accessories, MS pipes, hollow sections, binding wires, bright bars, welding electrodes and pre-engineered buildings (PEBs). Further, it also resumed the operations of trading and contractual mining of an iron ore from FY24 onwards.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	September 30, 2024 (UA)
Total operating income	360.00	432.83	162.22
PBILDT	17.42	30.76	14.17
PAT	5.45	7.93	6.09
Overall gearing (times)	3.83	0.92	0.56
Interest coverage (times)	1.69	1.45	2.20

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-Working Capital Limits		-	-	-	22.50	CARE BB (RWD)
Non-fund-based - ST-Letter of credit		-	-	-	75.00	CARE A4+ (RWD)

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-Working Capital Limits	LT	22.50	CARE BB (RWD)	1)CARE BB; Stable (31-Dec-24)	1)CARE BB-; Stable (05-Dec-23)	-	-
2	Non-fund-based - ST-Letter of credit	ST	75.00	CARE A4+ (RWD)	1)CARE A4+ (31-Dec-24)	1)CARE A4 (05-Dec-23)	-	-

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-Working Capital Limits	Simple
2	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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