

## Ravi Technoforge Private Limited

March 19, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	83.71 (Enhanced from 30.64)	CARE A; Stable	Reaffirmed
Long-term / Short-term bank facilities	55.00	CARE A; Stable / CARE A1	Reaffirmed
Short-term bank facilities	4.10	CARE A1	Assigned
Short-term bank facilities	30.20 (Enhanced from 23.70)	CARE A1	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Ratings assigned to bank facilities of Ravi Technoforge Private Limited (RTPL) continue to consider its parentage of Ratnamani Metals and Tubes Limited (RMTL) which has a strong market position in stainless steel tubes and pipes (SSTP) segment with a strong financial risk profile. Ratings also continue to factor in extensive experience of RTPL's promoters in manufacturing bearing rings and races, established track record of operations and association with reputed clientele. The rating also takes cognisance of its sustained scale of operations, moderate profitability and leverage, and adequate liquidity.

However, ratings continue to remain constrained considering profitability susceptible to volatile raw material prices and foreign exchange rate. Ratings are also constrained by its presence in a highly competitive industry with demand linked to cyclical end-user industries (including automobile, engineering and capital goods and heavy machinery) and high customer concentration risk. Ratings also take cognisance of a large-sized debt-funded capex being undertaken by the entity for modernisation and capacity enhancement which is expected to elevate debt levels going forward, though to a reasonable level.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Improvement in credit profile of its parent, RMTL.
- Improvement in total operating income (TOI) to over ₹400 crore and sustenance of profit before interest less depreciation and tax (PBILDT) margin above 15%.

#### Negative factors

- Decline in TOI to less than ₹250 crore and decline in PBILDT margin below 11% on a sustained basis.
- Elongation in operating cycle days to above 120 days.
- Large sized debt funded capex leading to deterioration in its overall gearing above 1.20x and moderation in debt coverage parameters.
- Significant deterioration in credit profile of RMTL.

**Analytical approach:** Standalone approach while factoring the strong operational, financial and management linkages with its parent, RMTL (holding ~80.02% stake in RTPL).

### Outlook: Stable

Stable outlook reflects CARE Ratings Limited's (CARE Ratings') expectations that the company shall sustain its credit risk profile in the near-to-medium term considering benefits derived from parentage of RMTL and significant experience of its promoters in bearing ring industry.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

**Detailed description of key rating drivers:****Key strengths****Strong promoter group and long-standing experience in steel industry**

RTPL is a subsidiary of RMTL, which is one of the largest players in the SSTP segment in India and has presence in carbon steel longitudinally submerged arc welding (LSAW)/helical submerged arc welded (HSAW) and electric resistance welded (ERW) pipes. From RMTL's board of directors, Manoj Sanghvi, son of Prakash Sanghvi (chairman and managing director of RMTL) has been appointed as a director at RTPL. RTPL's existing promoters have extensive experience of over two decades in manufacturing bearing rings/races. They are assisted by a professional management team to run the company's day-to-day operations.

**Established relationship with key clientele despite customer concentration risk persists**

RTPL, owing to its endeavour for consistent quality and adherence to stringent delivery schedule, has become one of the preferred/qualified suppliers to reputed bearing manufacturers, such as the SKF group, the Schaeffler group and the Timken group and has been associated with them for over two decades. The top five customers contributed sizably to RTPL's revenue, forming ~66% of its total sales in FY24 (PY: 64%), exposing RTPL to high customer-concentration risk.

**Sustained scale of operations and profitability**

RTPL reported a sustained growth in its scale of operations with a TOI of ₹256.02 crore in FY24 (PY: ₹244.08 crore) considering improvement in sales volume by 23% in FY24 over FY23 of alloy forged machinery rings. However, the export contribution to TOI declined to 31% in FY24 (PY: 37%) considering global inflationary pressure and moderate demand schedules in the European market (resulting in lower manufacturing activity).

RTPL's PBILDT and profit after tax (PAT) margin remained largely stable at 10.23% and 2.63% (10.71% and 1.85%), respectively, considering introduction of process automation/modernization and consolidation of processing facilities at a single location in FY24.

Majority production is order-backed with execution timeline depending on the scope of work, size of the order and the level of customisation which largely governs the company's operating margin.

Going forward, with the strategic and marketing support from RMTL (which holds a dominant position in the international and the domestic market), CARE Ratings expects RTPL's scale of operations to grow to over ₹320 crore in the medium term with better operational efficiencies its operating margin to remain over 12%.

Per provisional financials for 9MFY25 (refers to April 01 to December 31), RTPL has reported year-over-year (y-o-y) growth of 11% in its TOI to ₹203.46 crore (PY: ₹182.88 crore) with PBILDT and PAT margin at 10% and 2.22% (PY: 10.55% and 2.06%), respectively.

**Moderate capital structure and debt coverage indicators**

RTPL's financial profile remained moderate marked by net worth base of ₹117.72 crore, overall gearing at below unity as on March 31, 2024, and total outside liabilities to tangible net worth (TOL/TNW) of 1.27x as on said date (PY end: 1.17x). Debt coverage indicators continue to remain moderate marked by an interest coverage and total debt to gross cash accruals (TD/GCA) of 2.84x and 6.41 years, respectively, in FY24 (PY: 2.38x and 6.29 years).

While RTPL's debt level is expected to increase in FY25 considering sizeable capex plans for capacity enhancement and modernisation project, CARE Ratings expects its capital structure and coverage metrics to remain moderate with healthy accruals to reserves.

**Key weaknesses****On-going large sized debt funded capex**

RTPL is undertaking a significant modernisation and capacity enhancement project to be executed in a phased manner over the fiscal years, 2025 and 2026. The project's total cost is estimated to be ₹86 crore to be funded in the debt-to-equity ratio of 70:30x. The company has achieved the financial closure for this.

The mentioned capex is aimed at enhancing automation within the current production line, expanding to renewable energy through the installation of solar power plants, and improving product quality. It also involves diversification of its product portfolio to include items that finds application in the manufacturing of electric vehicles (EVs).

The project is expected to enhance RTPL's product range and achieve better economies of scale. However, the project's significant cost in relation to the company's net worth makes the project's timely completion and stabilisation critical for RTPL's growth.

The company's experience with similar capital expenditures in the past, particularly those aimed at diversification and modernisation of the existing manufacturing processes, and expansion in renewable energy, largely mitigates the risks associated with this new project.

**Raw material price and foreign exchange rate fluctuation partly mitigated by fixed cost conversion model**

Considering raw material cost accounting for ~55% of RTPL's cost of sales in FY24, RTPL's profitability remains susceptible to steep volatility in the steel prices. This risk is mitigated to a certain extent by the presence of a raw material cost plus conversion cost model, decided mutually between the company and its customers. Going forward, CARE Ratings expects RMPL's parentage will yield advantage in raw material procurement and payment terms considering synergies between RTPL and RMTL. In FY24, exports constituted ~31% of RTPL's TOI (PY: ~37%), which also exposes RTPL to adverse movement in the forex rates. RTPL does not have natural hedge due to its negligible imports, however, the exchange rate fluctuation risk is mitigated to a certain extent by availing working capital limits in foreign currency. In case of significant fluctuation in exchange rates, RTPL has an exchange rate revision clause in agreements with its clients.

**Presence in a competitive industry with demand linked to cyclicity in end-user industries; despite stable demand outlook**

RTPL has presence in a highly competitive industry, fortunes of which largely depend on the end-use industries such as Automobile comprising 50%, followed by 40% from engineering and capital goods and railways and 10% from railways. The demand outlook of auto component industry is directly linked to the cyclical automobile industry which has linkages to economic cycles. The Indian automotive components industry stood at US\$ 70 billion in FY24, registering ~32% y-o-y growth. Large part of the growth was from domestic market, owing to recessionary trends in western economies such as USA and Europe, the key markets. This impacted the demand from customers in international and domestic markets. Aftermarket sales also remained healthy (at ~US\$ 20 billion).

CARE Ratings notes with some revival in order inflow in Q4FY25 and overall thrust of government on automobile and infrastructure segments, the demand outlook remains stable in the near-to-medium term.

**Liquidity:** Adequate

RTPL's liquidity remained adequate marked by sufficient cushion available in the form of gross cash accruals (GCAs) against the annual debt repayment obligations. RTPL reported cash flow from operations ₹12.50 crore in 9MFY25 compared to ₹16.70 crore in FY24 considering efficient collection of debtors. Going forward, the company is expected to generate cash accruals of ~₹25 to ₹35 crore which are sufficient to meet its scheduled debt repayment obligation of ₹10.00 crore to ₹16.00 crore and routine capex requirements in the projected period.

RTPL's operations are working capital intensive, with the extension of credit period to customers and inventory holding (majorly in raw materials and semi-finished products) for orders on hand. This results in a high operating cycle of ~115 days in FY24 (PY: 105 days). Consequently, the average utilisation of the fund based working capital limits also remains high at ~86% for trailing 10 months ended January 2025.

**Assumptions/Covenants:** Not applicable

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

**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](#)

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## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital goods	Industrial products	Abrasives and bearings

RTPL was initially incorporated in 1990 as Saurashtra Iron and Forging Private Limited. Its name was subsequently changed to the present one in May 2009. In October 2022, RMTL acquired 53% stake in RTPL, consequent to which RTPL is now a subsidiary of RMTL and per the definitive agreement RMTL will acquire balance 47% stake in RTPL in due course of time. RTPL is engaged in manufacturing different types of bearing races/rings and gear blanks, offering over 1800 varieties across different measurements which find application across diverse industry segments, including automobile, capital goods, electrical equipment, heavy machinery, and railways. RTPL had an installed capacity to produce 34,800 metric tonnes per annum (MTPA) of bearing rings/races and gear blanks as on March 31, 2024.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (Provisional)
Total operating income	244.08	256.02	203.46
PBILDT	26.13	26.20	20.34
PAT	4.51	6.73	4.51
Overall gearing (times)	0.74	0.94	0.74
Interest coverage (times)	2.38	2.84	1.73

A: Audited, 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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	March 2033	83.71	CARE A; Stable
Fund-based - LT/ ST-CC/PC/Bill Discounting		-	-	-	30.00	CARE A; Stable / CARE A1
Fund-based - LT/ ST-CC/PC/Bill Discounting		-	-	-	25.00	CARE A; Stable / CARE A1
Non-fund-based - ST-Bank Guarantee		-	-	-	5.20	CARE A1

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Non-fund-based - ST-Credit Exposure Limit		-	-	-	4.10	CARE A1
Non-fund-based - ST-Letter of credit		-	-	-	25.00	CARE A1

### 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	83.71	CARE A; Stable	1)CARE A; Stable (05-Jul-24)	1)CARE A; Stable (10-Nov-23) 2)CARE A; Stable (23-Jun-23)	1)CARE A; Stable (12-Dec-22) 2)CARE BB+ (CW with Positive Implications) (14-Oct-22) 3)CARE BB+; Stable (18-May-22)	1)CARE BB; Positive (28-Oct-21) 2)CARE BB; Stable (01-Apr-21)
2	Non-fund-based - ST-Credit Exposure Limit	ST	-	-	-	1)Withdrawn (10-Nov-23) 2)CARE A1 (23-Jun-23)	1)CARE A1 (12-Dec-22) 2)CARE A4+ (CW with Positive Implications) (14-Oct-22) 3)CARE A4+ (18-May-22)	1)CARE A4 (28-Oct-21) 2)CARE A4 (01-Apr-21)
3	Fund-based - LT/ST-CC/PC/Bill Discounting	LT/ST	30.00	CARE A; Stable / CARE A1	1)CARE A; Stable / CARE A1 (05-Jul-24)	1)CARE A; Stable / CARE A1 (10-Nov-23) 2)CARE A; Stable / CARE A1 (23-Jun-23)	1)CARE A; Stable / CARE A1 (12-Dec-22) 2)CARE BB+ / CARE A4+ (CW with Positive Implications)	1)CARE BB; Positive / CARE A4 (28-Oct-21) 2)CARE BB; Stable / CARE A4

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
							(14-Oct-22) 3)CARE BB+; Stable / CARE A4+ (18-May-22)	(01-Apr-21)
4	Fund-based - LT/ST-CC/PC/Bill Discounting	LT/ST	25.00	CARE A; Stable / CARE A1	1)CARE A; Stable / CARE A1 (05-Jul-24)	1)CARE A; Stable / CARE A1 (10-Nov-23) 2)CARE A; Stable / CARE A1 (23-Jun-23)	1)CARE A; Stable (12-Dec-22) 2)CARE BB+ (CW with Positive Implications) (14-Oct-22) 3)CARE BB+; Stable (18-May-22)	1)CARE BB; Positive (28-Oct-21) 2)CARE BB; Stable (01-Apr-21)
5	Non-fund-based - ST-Bank Guarantee	ST	5.20	CARE A1	1)CARE A1 (05-Jul-24)	1)CARE A1 (10-Nov-23) 2)CARE A1 (23-Jun-23)	1)CARE A1 (12-Dec-22) 2)CARE A4+ (CW with Positive Implications) (14-Oct-22) 3)CARE A4+ (18-May-22)	1)CARE A4 (28-Oct-21) 2)CARE A4 (01-Apr-21)
6	Non-fund-based - ST-Letter of credit	ST	25.00	CARE A1	1)CARE A1 (05-Jul-24)	1)CARE A1 (10-Nov-23) 2)CARE A1 (23-Jun-23)	1)CARE A1 (12-Dec-22) 2)CARE A4+ (CW with Positive Implications) (14-Oct-22) 3)CARE A4+ (18-May-22)	-
7	Non-fund-based - ST-Credit Exposure Limit	ST	4.10	CARE A1				

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-CC/PC/Bill Discounting	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple
4	Non-fund-based - ST-Credit Exposure Limit	Simple
5	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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