

Rai Metal Works Private Limited

May 30, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	100.00	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*	Downgraded from CARE BB; Stable / CARE A4+ and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	2.00	CARE A4; ISSUER NOT COOPERATING*	Downgraded from CARE A4+ and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Rai Metal Works Private Limited (RMWPL) to monitor the ratings vide e-mail communications/ letter dated May 05, 2025, May 12, 2025, May 19, 2025, May 20, 2025 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. Further, RMWPL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on RMWPL's bank facilities will now be denoted as **CARE BB-; Stable/CARE A4; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

Ratings have been revised on account of non-availability of the requisite information to conduct the review. The ratings assigned to the bank facilities of RMWPL continue to remain constrained due to fluctuating and modest scale of operations and profitability, moderate net worth base and weak debt coverage indicators during FY24 (Audited, refers to period from 01 April to 31 March). The ratings also remained constrained on account of exposure to volatile steel prices and foreign exchange rate fluctuations, presence in a cyclical and competitive ship-recycling industry along with exposure to regulatory and environment hazard risk. The above ratings derives strength from RMWPL's established track record of operations and extensive experience of promoters in ship recycling industry, location advantage with its presence at Alang-Sosiya region which has unique geographical feature suitable for ship recycling operations, NK class certification leading to lower procurement costs of ships along with adequate liquidity position.

Analytical approach: Standalone

Outlook: Stable

The outlook on the long-term rating of RMWPL is "Stable" considering the long experience of the promoters in the industry along with its location advantage with presence in the Alang -Sosiya region.

Detailed description of key rating drivers:

At the time of last rating on May 15, 2024 the following were the rating strengths and weaknesses considered. (updated for FY24 audit report submitted by RMWPL)

Key weaknesses

Fluctuating and modest scale of operations and profitability

Revenue from ship recycling activity remained fluctuating depending upon the availability of ship for cutting along with the volatility associated with steel scrap prices. During FY24, the scale of operations as marked by TOI remains moderate at Rs.44.52 crore as against Rs.52.09 crore in FY23 which is mainly due to lower realizations with decline in steel prices in FY24. RMWPL incurred operating losses of Rs.0.46 crore during FY24 mainly on the back of lower sales against some fixed charges. However, it reported PAT margin of 1.17% in FY24 (0.46% in FY23) on the back of interest income from liquid investments.

Moderate net worth base and weak debt coverage indicators

RMWPL's total debt primarily comprises of outstanding LC obligations against the purchase of ship along with meagre utilization of fund based working capital limit. The capital structure remains moderate due to outstanding LC amount of Rs.17.32 crore on the back of purchase of two ships in FY24 out of which LC liability is open towards second ship as on March 31, 2024. Net worth

¹Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

remained moderate as on March 31, 2024 at Rs.14.37 crore. Further, debt coverage indicators remained weak marked by operating losses booked in FY24. However, the amount of interest income received from investments in capital market will provide cushion towards repayment of debt obligations.

Exposure to adverse movement in steel prices and forex rates

The volatility in steel prices driven by demand and supply conditions in the global as well as local markets exposes RMWPL to any adverse price movement on the uncut ship inventory (which depends on the time elapsed since the purchase of the ship and the size/tonnage of the ship) as well as unsold inventory of steel scrap held by the entity (which is generally minimal). The entity uses LC facility to purchase old ships. Since the transactions are denominated in foreign currency, the entity is exposed to forex risk during the LC Usance period, as the entity's revenue is denominated in Indian Rupee (INR). However, entity is doing hedging as per market situation thus mitigating exposure to certain extent.

Presence in cyclical and competitive ship recycling industry

The ship breaking industry is cyclical in nature as supply of old ships for recycling is inversely proportional to freight rates in the global economy. Better availability of old ships for recycling is ensured at the time of recession and when freight rates are low which makes it economical to dismantle the ship rather than continue to operate it. However, ship availability is adversely impacted due to high freight prices in FY23 and FY24. Going further, with decline in freight rates, better ship availability is expected from H2FY25 onwards. Further, Indian ship-recycling yard face intense competition from the neighbouring countries like Bangladesh and Pakistan due to availability of low wage labour, lax occupational health and environment related regulations and larger yards giving better bargaining power to yard owners.

Exposure to regulatory and environment hazard risk

The ship-breaking industry is highly regulated with strict working and safety standards to be maintained by the ship-breakers for their labourers and environmental compliance. Further, Government of India enacted the Recycling of Ships Act, 2019 ("Act") for the regulation of recycling of ships by setting certain standards and laying down the statutory mechanism for enforcement of such standards and related matters. The Act imposes a statutory duty on ship recyclers to ensure safe and environmentally sound removal and management of hazardous materials from a ship. It further imposes an obligation on a ship recycler to ensure that there is no damage caused to the environment in any form due to the recycling activities at the ship recycling facility. Thus, any adverse circumstances or event may affect the business operations of entities.

Key strengths

Established track record of operations and extensive experience of promoters in the ship-recycling industry

RMWPL is one of the oldest entities in ship recycling industry at Alang and has been successfully able to operate its business through various business cycles. Mr. Mohmedhusen Meghani, Mr. Riyazhusain Meghani and Mr. Mohsinali Varteji, are the key promoters of RMWPL; with over two decades of experience in the ship recycling industry.

Presence at Alang- Sosiya region which is one of the largest ship-breaking yards of world

RMWPL's ship breaking yard is located at Alang-Sosiya belt, which constitutes nearly 90% of India's ship-breaking activities and it is India's largest shipbreaking cluster and is also among the one of the largest ship breaking yard cluster of the world. The unique geographical features of the area include a high tidal range, wide continental shelf, adequate slope and a mud free coast. These conditions are ideal for a wide variety of ships to be beached easily during high tide. The cluster accommodates nearly 140 plots spread over around 10 km long stretch along the seacoast of Alang-Sosiya (*Source: Gujarat Maritime Board*). RMWPL has one plot to carry out its ship recycling business at Alang which is leased out by Gujarat Maritime Board (GMB) on a 10-year lease which gets renewed on expiry.

NK class ship recycling facility

RMWPL's yard is NK class certified (valid till November 2028). Various agencies including NK, RINA among others certify the operations of the ship-recycling yards from the environmental and worker safety points of view, including secure management of hazardous waste generated from the ship-recycling activities. Certification like NK class gives ship recycler an advantage to source ships at marginally better prices compared with market rates.

Applicable criteria

[Policy in respect of non-cooperation by issuers](#)

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Wholesale Trading](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Commercial Services & Supplies	Trading & Distributors

Bhavnagar (Gujarat) based Rai Metal Works Private Limited (RMWPL) was incorporated in 1982. The entity is promoted by Mr. Mohmedhusen Meghani along with their family members to operate shipbreaking business in the Alang- Sosiya belt of Bhavnagar region, Gujarat. The operations of the entity are carried out from a leased plot measuring 7168 square meters in the Alang-Sosiya belt of Bhavnagar region in Gujarat which is NK class certified. Until now, RMWPL has dismantled over 45 ships of various types such as Containers, Bulk Carriers, General Cargos, Tankers, Ro-Ro Vessels etc.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	52.09	44.52
PBILDT	0.93	-0.46
PAT	0.24	0.52
Overall gearing (times)	0.22	1.42
Interest coverage (times)	1.15	NM

A: Audited, NM: Not meaningful; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Brickworks has put ratings assigned to the bank facilities of RMWPL into 'Non-Cooperation' vide press release dated April 03, 2025 on account of non-cooperation by RMWPL with Brickworks' efforts to undertake a review of the ratings outstanding.

CRISIL has put ratings assigned to the bank facilities of RMWPL into 'Non-Cooperation' vide press release dated March 28, 2024 on account of non-cooperation by RMWPL with CRISIL's efforts to undertake a review of the ratings outstanding.

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/Non-fund-based-LT/ST		-	-	-	87.00	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*
Fund-based/Non-fund-based-LT/ST		-	-	-	13.00	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - ST-Credit Exposure Limit		-	-	-	2.00	CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

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 2025-2026	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
1	Fund-based/Non-fund-based-LT/ST	LT/ST	87.00	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable / CARE A4+ (15-May-24)	-	-
2	Fund-based/Non-fund-based-LT/ST	LT/ST	13.00	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable / CARE A4+ (15-May-24)	-	-
3	Non-fund-based - ST-Credit Exposure Limit	ST	2.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4+ (15-May-24)	-	-

*Issuer did not cooperate; based on best available information.

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/Non-fund-based-LT/ST	Simple
2	Non-fund-based - ST-Credit Exposure Limit	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

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Analytical Contacts Kalpesh Ramanbhai Patel Director CARE Ratings Limited Phone: 079-40265611 E-mail: kalpesh.patel@careedge.in
Relationship Contact Ankur Sachdeva Senior Director CARE Ratings Limited Phone: 912267543444 E-mail: Ankur.sachdeva@careedge.in	Sajni Shah Assistant Director CARE Ratings Limited Phone: 079-40265636 E-mail: Sajni.Shah@careedge.in
	Jalpa Rughani Lead Analyst CARE Ratings Limited E-mail: jalpa.rughani@careedge.in

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