Rashtriya Metal Industries Limited

January 15, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Facilities	125.00	IVR A/ Stable [IVR A with Stable Outlook]	-	Assigned	**Simple**
Short Term Facilities	150.00	IVR A2+ [IVR A Two Plus]	-	Assigned	**Simple**
Total	**275.00 (Rupees Two Hundred Seventy-Five Crore Only)**				

Details of Facilities/Instruments are in Annexure 1.

Facility wise lender details are at Annexure 2.

Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has assigned the ratings to the bank facilities of Rashtriya Metal Industries Ltd. The rating assignment factors in improvement in overall financial performance of the company in FY24 (refers to the period from April 01, 2023, to March 31, 2024) and in 9MFY25. The rating further factors in extensive experience of promoters in non-ferrous metal industry and strong clientele relationships. Further the rating derives strength from diversified product portfolio coupled with healthy order-book reflecting medium term revenue visibility, comfortable capital structure, satisfactory debt coverage indicators and improvement in installed capacity along with addition of new product. However, the rating remains constrained by exposure to volatility in raw material prices, inherent forex risk associated with nature of business and investment in unrelated venture.

Stable outlook reflects Infomerics' anticipation that RMIL will continue to benefit from the experience of its promoters, growing scale of operations with improving operating margins and sustained financial risk profile.

Key Rating Sensitivities:

Upward Factors

- Consistent and substantial business growth with enhanced profitability, leading to improved cash flow and liquidity.
- Improvement capital structure and stronger debt coverage metrics.

Downward Factors

- Decline in operating income or profitability affecting debt coverage and overall financial risk.
- Significant increase in working capital needs due to elongation on operating cycle
- Any-unplanned capital expenditures worsening liquidity and / or debt protection metrics
- Underperformance by the company in FY25 in comparison with projections drawn by extrapolating financial performance furnished by the company for 9MFY25

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive experience in non-ferrous metal industry and strong client relationships.

RMIL, with extensive experience in the non-ferrous metal industry, has built strong relationships with reputable clients domestically and internationally. The company is a key supplier of bullet case cups to the Ministry of Defence, Government of India, and exports to defence corporations in Israel, Kenya, Indonesia, Oman, and Saudi Arabia. RMIL is led by Mr. Balkrishna Binani, the Managing Director, who has been with the company since 1971.

Diversified product portfolio coupled with healthy order-book reflecting medium term revenue visibility

RMIL offers a range of products, including copper alloys, brass strips, nickel-based alloys, electroplated brass, case cups, and bullet jacket cups, serving industries such as defence, electrical, automobiles, and locks. With a revenue split of 60% domestic and 40% international, key export markets include the UAE, Israel, the USA, Egypt, and Saudi Arabia. As of October 31, 2024, the company's order book stood at Rs. 656.51 crore, depicting strong medium-term revenue visibility. RMIL aims for further growth by acquiring new clients and expanding its product range.

Comfortable capital structure and satisfactory debt coverage indicators

The capital structure remains comfortable, with an overall gearing ratio of 0.23x as of March 31, 2024 (PY: 0.22x as of March 31, 2023). The company has no long-term debt, while short-term debt stands at Rs. 57.79 crore against an Adjusted TNW (Tangible Net Worth) of Rs. 248.43 crore as of March 31, 2024 (PY: Rs. 241.30 crore). Additionally, debt coverage indicators, including the Interest Service Coverage Ratio (ISCR) and Debt Service Coverage Ratio (DSCR), remain satisfactory at 2.12x and 2.24x, respectively, for FY 2024 (PY: 2.62x and 2.59x). The metrics are expected to remain comfortable over the medium term driven by healthy profitability and moderate leverage.

Improvement in installed capacity along with addition of new product

RMIL's copper alloy strip capacity increased to 24,000 MT p.a. from the level of 16,800 MT p.a. in FY22. Capacity utilization has improved to 85.59% in FY24 from 74% in FY23.
The company has expanded its facilities with a new pickling line, rolling mill, finishing line for cups, and annealing furnace. Two additional casters have been installed in November 2024 which has increased the capacity of strips from 16,800 MT p.a. to 24,000 MT p.a.

Key Rating Weaknesses

Exposure to volatility in the raw material prices resulting fluctuating operating margins

RMIL's operations are working capital-intensive, and its profitability is influenced by fluctuations in raw material prices. Copper, zinc, and nickel are key raw materials. As these products are commoditized, the company's profit margins are susceptible to price volatility. However, RMIL mitigates this risk through price revisions, order-backed inventory, and partial hedging of raw material costs via forward contracts on the LME. Despite not fully hedging due to the impact on margins, these measures help manage cost fluctuations. In FY24, RMIL's profitability declined, with margins falling to 3.68% from 10.14% in FY'22, mainly due to higher raw material costs. Infomerics expects a improvement in profitability in the near to medium term, driven by increased capacity, new orders, and product expansion.

Forex Risk associated with nature of business

RMIL imports approximately 40% of its raw material requirements from international markets, exposing the company to foreign exchange (forex) risk. While this risk is partially mitigated through exports, the company does not hedge the remaining foreign currency exposure, which could impact its profitability in the event of adverse movement in foreign currency.

Investments in unrelated venture

The company has invested Rs. 54 crores (PY Rs. 54 crore) in a group company which in turn has invested in real estate assets. Any further investments in unrelated business are the key rating monitorable.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies
Financial Ratios & Interpretation (Non-Financial Sector)
Criteria for assigning Rating outlook
Default Recognition Policy
Complexity Level of Rated Instruments / Facilities

Liquidity – Adequate

RMIL's liquidity improved and remain adequate marked by current ratio of 2.08x as on March 31, 2024 (1.95x as on 31st March 31, 2023) led by decline in trade payables as on balance sheet date coupled with nil long-term debt repayment. The unencumbered cash & cash equivalent (including free fixed deposits with banks) stands at Rs. 3.51 crore as on March 31, 2024. The average fund-based utilizations also stand low at ~16% for the past 12 months ended Aug 2024. The company has incremental capital expenditure plan amounting to Rs. ~32 crore approx. till FY27 and the same is to be primarily funded from internal cash accruals.

About the Company

Incorporated in 1947 by the Late Bhawanidas Binani, in Mumbai, RMIL manufactures copper and copper alloys sheets, strips, foils, cups and blanks which finds its application in Automotive, Electrical and Switchgear, Electronics, Communications, Decorative, Power Cable, Ammunition, Coinage, and other Engineering applications including brass cups for the defence sector with a legacy of over 7 decades. Currently RMIL is operating from its manufacturing plant located at Sarigam (near Vapi) in the state of Gujarat, India. RMIL have grown consistently over the decades in both capacity and capability and currently operate at a capacity of around ~24000 MTPA.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	597.76	688.27
EBITDA	24.27	25.35
PAT	6.72	9.10
Total Debt	53.58	57.79
Tangible Net Worth (Adjusted)	241.30	248.43
EBITDA Margin (%)	4.06	3.68
PAT Margin (%)	1.12	1.31
Overall Gearing Ratio (Adjusted)(x)	0.22	0.23
Interest Coverage (x)	2.62	2.12

** Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in in 2021-22
					-	-	-
					Rating	Rating	Rating
1.	Cash Credit	Long Term	115.00	[IVR A with Stable OutlooK]	-	-	-
2.	Vendor Bill discounting	Long Term	10.00	[IVR A with Stable Outlook]	-	-	-
3.	Letter of Credit	Short-term	150.00	IVR A2+ [IVR A Two Plus]	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Informatics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	Revolving	115.00	[IVR A with Stable Outlook]
Vendor Bill discounting				Revolving	10.00	[IVR A with Stable Outlook]
Letter of credit				Revolving	150.00	IVR A2+ [IVR A Two Plus]

Annexure 2: Facility wise lender details : **https://www.infomerics.com/admin/prfiles/len-Rashtriya-Metal-jan25.pdf**

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.