

Press Release

Ranba Castings Limited

July 19, 2022

Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	17.80	ACUITE BB- Stable Upgraded	-
Bank Loan Ratings	2.20	-	ACUITE A4+ Upgraded
Total Outstanding Quantum (Rs. Cr)	20.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded its long-term rating to '**ACUITE BB-**' (read as **ACUITE BB minus**) and short-term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) on Rs.20.00Cr bank facilities of Ranba Castings Limited. The outlook is '**Stable**'

The rating upgrade is in view of improvement in operations and profitability margins for FY22, improved liquidity position and moderate working capital management. However, rating is constrained by below average financial risk profile.

About the Company

Coimbatore-Tamilnadu based Ranba Castings Limited (RCL) was incorporated in 1995 by Mr V Rajendran. RCL is currently managed by his sons, Mr. Velappan Rajendran Narenkumar and Mr. Velappan Rajendran Arunkumar. RCL is engaged in manufacturing of various grades of Grey iron and S.G. iron castings. It presently caters to domestic demand, catering to players in the Textile industry. RCL has manufacturing facility in Coimbatore, Tamil Nadu with an installed production capacity of 1000 MT per month.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Ranba Castings Limited to arrive at this rating

Key Rating Drivers

Strengths

Extensive experience of promoters in casting industry resulting in well-established customer relationship

Incorporated in 1997, SFPL has a long track record of manufacturing grey iron and SG iron castings that find applications in diverse industries. RCL is currently managed by RCL is currently managed by his sons, Mr. Velappan Rajendran Narenkumar and Mr. Velappan Rajendran Arunkumar, who have over three decades of experience in the castings business and is well supported by a qualified and experienced management team. This has given them a strong understanding of the market dynamics and enabled them to establish healthy relationships with suppliers and customers for repeated business. Acuité believes that RCL's business risk profile is strong supported by the promoter's vast experience and the company's longstanding presence in the castings industry, supplying components to diverse end-user industries and longstanding relationships with key customers should continue to support the business over the medium term.

Recovered operations and improving margins:

Ranba Castings limited (RCL) is involved in manufacturing of casting of metals. They manufacture large iron castings in their foundry by mixing sand with resin. Upto FY19, the company used to produce green iron, later the company has changed its manufacturing process by producing only large iron casting. This affected the company's operations as the green iron castings contributed more to the turnover yet lower yield compared to large iron castings. RCL has production capacity of manufacturing 1000 tonnes large iron castings per month. The company is currently supplying large iron casting mainly to textiles industry. RCL has reported improved revenue in FY22 as the company generated Rs. 65.34 Cr as per the Provisionals. This is mainly due to improved operations and healthy order book. The EBITDA margin and PAT margins stood at 5.37 percent and 0.56 percent respectively in FY22 (provisionals).

Weaknesses

Below-average financial Risk profile:

The financial risk profile of RCL is below-average marked by high gearing and debt protection metrics. Net worth of the company stood at Rs.2.89 Cr as on March 31, 2022(Provisionals) as against Rs 2.52Cr on March 31, 2021. Gearing levels (adjusted Debt to equity) stood high at 7.03 times as on March 31, 2022(Provisionals) as against 8.48 times on March 31, 2021. Interest coverage ratio improved to 2.05 times as on March 31, 2022(Provisionals) from 0.91 times on March 31, 2021. Debt service coverage ratio(DSCR) stood at 1.50 times as on March 31, 2022 (Provisionals) .Total outside liabilities to total net worth (TOL/TNW) stood at 14.94 times as on March 31, 2022 (Provisionals) against 14.76 times as on March 31, 2021.

Intensive Working capital management:

RCL's operations are working capital intensive marked by its gross current assets (GCA) of 187days as on March 31, 2022(Provisionals). The Debtor realisation and inventory days stood at 101days and 66 days respectively as on March 31, 2022 due to diversified customer base requires maintenance of inventory at existing levels to meet their just in time requirements. Its creditor days stood at 159 days as on March 31, 2022(Provisionals). Current ratio stood at 1.13 times as on March 31, 2022(Provisionals). Acuite believes that working capital management of the company will remain same over the medium term.

Rating Sensitivities

- Improvement in the financial risk profile
- Improvement in scale of operations whilst maintaining the profitability margins

Material covenants

None

Liquidity: Adequate

RCL has adequate liquidity marked by adequate net cash accruals to its maturing debt

obligations. The company is estimated to generate cash accruals of Rs.2.86Cr for FY23 , with debt repayment obligations of Rs.2.31Cr for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.2.80Cr – Rs.3.50Cr over the medium term. The company's working capital operations are moderate, marked by GCA of 187 days for FY22 (Provisionals). Unencumbered cash and bank balances stood at Rs.2.22 Cr as on March 31, 2022(Provisionals). The current ratio of the company stood at 1.09 times in FY22. Bank limits utilization of cash credit stood low at ~46.58 percent and LC stood high at 91.80 percent over the past 12 months ending 30 March, 2022. RCL is having maturing fixed deposits from promoters amounting Rs.1.29 Cr which will be retained in the business. Acuité believes that the liquidity position of the company is likely to remain adequate on account of adequate cash accruals against its debt repayments over the medium term.

Outlook: Stable

Acuité believes that RCL will maintain a 'Stable' outlook over the medium term backed by its experienced management and long track record of operations. The outlook may be revised to 'Positive' in case of substantial and sustained increase in the scale of operations, while profitability margins are maintained or continued improvement in working capital management. The outlook may be revised to 'Negative' if profitability margins decline sharply, or the capital structure deteriorates due to large, debt-funded capital expenditure or a stretched working capital cycle.

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	65.34	30.44
PAT	Rs. Cr.	0.36	(1.10)
PAT Margin	(%)	0.56	(3.61)
Total Debt/Tangible Net Worth	Times	7.03	8.49
PBDIT/Interest	Times	2.05	0.91

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector -<https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
11 May 2021	Letter of Credit	Short Term	2.20	ACUITE A4 (Assigned)
	Term Loan	Long Term	0.92	ACUITE B+ Stable (Assigned)
	Working Capital Term Loan	Long Term	2.58	ACUITE B+ Stable (Assigned)
	Cash Credit	Long Term	6.00	ACUITE B+ Stable (Assigned)
	Working Capital Term Loan	Long Term	8.30	ACUITE B+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BB- Stable Upgraded
Indian Bank	Not Applicable	Funded Interest Term Loan	Not Applicable	Not Applicable	Not Applicable	0.92	ACUITE BB- Stable Upgraded
Indian Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.20	ACUITE A4+ Upgraded
Indian Bank	Not Applicable	Working Capital Term Loan	20-09-2020	7.30	30-09-2028	8.30	ACUITE BB- Stable Upgraded
Indian Bank	Not Applicable	Working Capital Term Loan	20-09-2020	7.30	31-10-2024	2.58	ACUITE BB- Stable Upgraded

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About Acuité Ratings & Research

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