Press Release
Ranba Castings Limited
September 22, 2023
Rating Reaffirmed

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

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

The rating reaffirmation takes into account the extensive experience of promoters in casting industry and improvement in operating income which stood at Rs. 83.62 Cr in FY2023 ; as against Rs. 65.74 Cr in FY2022 , Rs. 30.44 Cr FY2021. The rating is, however, is constrained due to below average financial risk profile and working capital intensive nature of operations and competitive nature of the industry.

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
Acuité 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.

- **Improved scale of operations**

  Ranba Castings limited (RCL) involves in manufacturing of casting of metals. They manufacture large iron castings in their foundry by mixing sand with resin. The company currently supplying large iron casting mainly to textiles industry. The operating income of the RCL stood at Rs. 83.62 Cr in FY2023 ; as against Rs. 65.74 Cr in FY2022 , Rs. 30.44 Cr FY2021. This is mainly due to improved volumes and realisations.

Weaknesses

- **Below – average financial risk profile**

  RCL's financial risk profile remained below-average marked by modest net worth, high gearing and moderate debt protection metrics. The tangible net worth stood at Rs. 3.31 Cr as on March 31, 2023 as against Rs. 2.69 Cr as on March 31, 2022. The gearing of the company has been improving over the last 2 years ending March 31, 2023, It stood at 6.60 times as on March 31, 2023 against 8.50 times as on March 31, 2022. Further, the interest coverage ratio stood at 2.32 times as on March 31, 2023 as against 1.97 times as on March 31, 2022. DSCR stood at 1.24 times as on March 31, 2023 as against 1.36 times as on March 31, 2022. The debt to EBITDA of the company stood at 5.21 times as on March 31, 2023 as against 6.74 times as on March 31, 2022. However, the TOL/TNW stood to 12.53 times as on March 31, 2023 as against 15.62 times as on March 31, 2022. Acuité believes that the financial risk profile is expected to remain at similar level in the medium term.

- **Working capital intensive operations**

  The working capital management of the company is intensive marked by high Gross Current Asset (GCA) days of 133 days as on March 31, 2023 as against 174 days as on March 31, 2022. Inventory days stood at 41 days as on March, 2023 as against 66 days as on March 31, 2022. Subsequently, the payable period stood at 111 days as on March 31, 2023 as against 156 days as on March 31, 2022 respectively. The debtors' day stood at 71 days as on March 31, 2023 as against 97 days as on March 31, 2022. Further, the average bank limit utilization in the last 11 months ended July, 23 remained at 40 percent for fund based and 93 percent for non-fund based. 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

All Covenants

None

Liquidity: Adequate

RCL's liquidity is Adequate marked by its adequate net cash accruals to its maturing debt obligations. The company has reported cash accruals of Rs. 2.09 Cr. in FY2023 as against current repayment of long term debt of Rs.1.33 Cr and expected to generate cash accruals in the range of Rs.3.00-4.36 Cr in near future , against CPLTD of Rs.1.92- 2.45 Cr. over the medium term. Unencumbered cash and bank balances stood at Rs. 1.67 Cr as on March 31, 2023. The current ratio of the company stood at 1.13 times as on March 31, 2023. Acuité believes that RCL liquidity will remain sufficient over the medium term backed by repayment of its debt obligations and improving accruals.

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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	83.62	65.74
PAT	Rs. Cr.	0.59	0.15
PAT Margin	(%)	0.70	0.23
Total Debt/Tangible Net Worth	Times	6.60	8.50
PBDIT/Interest	Times	2.32	1.97

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
- Manufacturing Entities: 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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
19 Jul 2022	Funded interest term loan	Long Term	0.92	ACUITE BB- | Stable (Upgraded from ACUITE B+ | Stable)
	Cash Credit	Long Term	6.00	ACUITE BB- | Stable (Upgraded from ACUITE B+ | Stable)
	Working Capital Term Loan	Long Term	2.58	ACUITE BB- | Stable (Upgraded from ACUITE B+ | Stable)
	Letter of Credit	Short Term	2.20	ACUITE A4+ (Upgraded from ACUITE A4)
	Working Capital Term Loan	Long Term	8.30	ACUITE BB- | Stable (Upgraded from ACUITE B+ | Stable)
11 May 2021	Letter of Credit	Short Term	2.20	ACUITE A4 (Assigned)
	Funded interest 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	Complexity Level	Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE BB- | Stable | Reaffirmed
Indian Bank	Not Applicable	Funded Interest Term Loan	Not available	Not available	Not available	Simple	0.92	ACUITE BB- | Stable | Reaffirmed
Indian Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.20	ACUITE A4+ | Reaffirmed
Indian Bank	Not Applicable	Working Capital Term Loan	20 Sep 2020	7.30	30 Sep 2028	Simple	8.30	ACUITE BB- | Stable | Reaffirmed
Indian Bank	Not Applicable	Working Capital Term Loan	20 Sep 2020	7.30	31 Oct 2024	Simple	2.58	ACUITE BB- | Stable | Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.