

## Press Release

Rajratan Global Wire Limited

June 28, 2022



### Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	ACUITE A+   Reaffirmed & Withdrawn	-
Bank Loan Ratings	2.50	-	ACUITE A1+   Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	12.50	-	-

### Rating Rationale

Acuite has reaffirmed and withdrawn the long term rating of '**ACUITE A+**' (read as **ACUITE A plus**) and the short term rating of '**ACUITE A1+**' (read as **ACUITE A one plus**) respectively on the Rs.12.50 crore bank facilities of Rajratan Global Wire Limited.

The reaffirmation of ratings takes into account improved financial performance of company in FY22 resulting in comfortable financial risk profile and working capital management. However, the above ratings are underpinned by susceptibility of profitability margins to variation in steel prices and exposure to cyclicity in automobile industry. The withdrawal of ratings.

The rating withdrawal is in accordance with Acuite's policy on withdrawal of ratings. The rating is being withdrawn on account of request received from the company and no objection certificate (NOC) received from the banker.

### About the Company

Rajratan Global Wire Limited is a Madhya Pradesh based company promoted by Mr. Sunil Chordia and the family members. The company is engaged in manufacturing Tyre Bead Wires and High Carbon Steel Wire. The company is the second largest bead wire manufacturer in Asia (excluding China), largest manufacturer in India and the only manufacturer in Thailand with a 20 percent of market share. The company was originally formed as Rajratan Wires Private Limited in the year 1989 by the Chordia family members. At that time, the company was engaged in the business of trading of iron and steel. Later in the year 1991, the company started the commercial production of pre-stressed concrete wires and stands. In the year 1995, the company was changed to Rajratan Wires Limited and got listed on NSE.

### About the Group

The company extended to the launch of operations in Thailand in the year 2006 resulting in the commissioning of Rajratan Thai Wire Co. Limited. The commercial production of the Thailand unit started in the year 2008. The Thailand Unit of the company is the sole Tyre bead wire manufacturer enjoying a market share of around 20 percent. The Thailand unit exports to India as well to meet the Indian demand. The Company caters to all the domestic and

International renowned players but doesn't cater much to the unorganized players.

## **Analytical Approach**

Acuité has considered the consolidated business and financial risk profiles of the RGWL and its wholly owned subsidiary company; Rajratan Thai Wire Company Limited, together referred to as 'Rajratan Group (RG)'. The consolidation is due to common promoters, significant operational and financial synergies within the group.

Extent of Consolidation: Full.

## **Key Rating Drivers**

### **Strengths**

#### **Improvement in financial performance in FY22**

The total operating income of the group increased significantly from Rs.564.54 crore in FY21 to Rs.892.86 crore in FY22, thereby reporting y-o-y growth of 63.36%. The increase in revenue is led by rising demand of the product. In line with increase in total operating income, operating profit has almost doubled to Rs. 181.69 crore in FY22 as against Rs.92.11 crore in FY21. The net profit also increased to Rs. 124.33 crore in FY22 as against Rs.53.12 crore. The operating profit margin increased by 350 bps to 20.35% in FY22. The net profit margin also increased from 9.72% in FY21 to 13.93% in FY22.

#### **Comfortable financial risk profile**

The capital structure of the group as represented by debt-equity ratio improved to 0.40 times as on March 31, 2022 as against 0.57 times as on March 31, 2021, led by accretion of profit to reserves. The tangible net worth of the company also increased from Rs.225.99 crore in FY21 to Rs.340.96 crore in FY22. The interest coverage ratio (ICR) stood comfortable at 11.83 times in FY22 as against 7.01 times in FY2021, led by significant increase in operating profit. The Net cash accruals to total debt ratio stood remained above unity at 1.02 times in FY22 as against 0.52 times in FY2021, led by increase in net cash accruals. The debt-EBITDA improved to 0.74 times in FY2022 as against 1.38 times in FY2021.

### **Weaknesses**

#### **Moderate working capital management**

The working capital management of the group is moderate in FY2021 marked by Gross Current Assets (GCA) of 116 days in FY2022 as against 121 days in FY2021. The inventory days remained at similar level at 40 days in FY21-22. The debtor level remained improved marginally to 74 days in FY22 vis-à-vis 78 days in FY21. The creditors period remained in the range of 50-70 days in FY20-22.

#### **Susceptibility of profitability margins to variation in steel prices**

The margins are susceptible to change in steel prices. However, this risk is mitigated to some extent as there is provision where any change in raw material price is passed on to customer.

#### **Exposure to cyclicity in automobile industry**

The auto ancillary segment relies on the automobile growth sector. The demand of automobile depends on factor like economic growth, fuel prices, income growth, interest rates and customer sentiments. Thus, any adverse impact of these situations would restrict growth and credit metrics of industry players.

### **ESG Factors Relevant for Rating**

Rajratan Global Wire Limited is engaged in manufacturing of tyre bead wires and high carbon steel wires. Environmental risk is a major issue as waste disposal, fumes and dust is hazardous to environment. Further, the same can also affect respiratory tract, eyes and skin. Albeit, the company has been investing in technology to mitigate the impact to some extent by installing effluent treatment plant, implementing safety and health standards of people, opting for reduce and reuse methods, the risk still persists. The risks of regulatory constraints therefore continue to remain high for this industry and additional measures could lead to cost escalation.

On the social front, occupational and workforce health & safety management are of primary importance to this industry given the nature of operations. The product quality and safety is of utmost significance. Further, proper disposal of waste also plays critical factor, thereby

managing social welfare.

On Governance front, the company has partnered with key Government agencies and industry bodies to comply with applicable norms and regulation. The company has adopted requirement of Corporate Governance from Provision of Companies Act 2013 and SEBI (LODR) Regulations. Hence, diverse board of directors ensures pooling of knowledge and balanced Board. The Stakeholder's relationship committee has been constituted to assist the board in safeguarding the interests of and redressing the grievances of the security holders of the company.

### Rating Sensitivities

Not Applicable

### Material covenants

None

### Liquidity Position: Adequate

The group has adequate liquidity marked by high net cash accruals of Rs.139.85 crore in FY2022. The group has maintained cash and bank balances of Rs.8.44 Crore as on 31 March 2022 as against Rs. 4.80 crore as on March 31, 2021. The current ratio has also improved significantly to 1.34 times as on 31 March 2022 as against 1.29 times as on March 31, 2021.

### Outlook: Not Applicable

### Other Factors affecting Rating

Not Applicable

### Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	892.86	546.54
PAT	Rs. Cr.	124.33	53.13
PAT Margin	(%)	13.93	9.72
Total Debt/Tangible Net Worth	Times	0.40	0.57
PBDIT/Interest	Times	11.83	7.00

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

Not Applicable

### Any other information

Not Applicable

### 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
04 Aug 2021	Cash Credit	Long Term	5.00	ACUITE A+   Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE A+   Stable (Assigned)
	Letter of Credit	Short Term	2.50	ACUITE A1+ (Assigned)

**Annexure - Details of instruments rated**

<b>Lender's Name</b>	<b>ISIN</b>	<b>Facilities</b>	<b>Date Of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Quantum (Rs. Cr.)</b>	<b>Rating</b>
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A+   Reaffirmed & Withdrawn
CITI Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A+   Reaffirmed & Withdrawn
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A1+   Reaffirmed & Withdrawn

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### About Acuité Ratings & Research

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