Ratnaveer Precision Engineering Limited

March 17, 2025

Ratings

Instrument / Facility	**Amount** (INR Crore)	**Current Ratings**	**Previous Ratings**	**Rating Action**	**Complexity Indicator**
Long Term Bank Facilities	117.78* (enhanced from Rs 73.94 crore)	IVR BBB+/Positive Outlook (IVR Triple B Plus with Positive Outlook)	IVR BBB+/Stable Outlook (IVR Triple B Plus with Stable Outlook)	Rating Reaffirmed and Outlook revised from Stable to Positive	Simple
Short Term Bank Facilities	178.00 (enhanced from Rs 158.00 crore)	IVR A2 (IVR A Two)	IVR A2 (IVR A Two)	Rating Reaffirmed	Simple
Total	**Rs. 295.78 crore (Rupees Two hundred and ninety-five crore and seventy-eight lakh only)**				

** The EPC amounting Rs 1.35 crore is fully repaid, and limit is withdrawn at the request of the company and NDC received from the UCO Bank.*

Details of Facilities/Instruments areas in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has reaffirmed its ratings on the bank facilities of Ratnaveer Precision Engineering Limited (RPEL) and revised the outlook from Stable to Positive. The rating continues to derive strength from successful completion of IPO in FY24 which has resulted in improvement in net worth and debt profile, translating into improved capital structure. The rating also considers the large increase in topline achieved in FY24 due to higher volumes and realisations, and further improvement expected in FY25 due to same reasons. The ratings factor in long track record of operations and extensive experience of promoters in stainless steel industry, diversified customer profile, implementation of on-going capex is expected to augment revenues and improve margins further and synergistic business models focused on backward integration The rating is however constrained on account of working capital-intensive nature of operations, highly competitive and fragmentated nature of industry and profit margins exposed to fluctuations in steel price movements and foreign exchange risk.

The ratings of EPC are withdrawn at the request of the company and No Dues Certificate is received from the lending bank. The ratings withdrawal is consistent with Infomerics policy of Withdrawal.

The Positive outlook reflects Infomerics' view that RPEL will generate further growth in revenue and profitability margins from FY26 onwards. This will be on account of benefits driven from the completion of Phase I capex, with the expansion of capacity from 30,000 MTPA to 53,194 MTPA, and also cost saving from rooftop solar captive power plant, which will result in cost saving in the induction furnace used in the steel melting shop.

Key Rating Sensitivities:

Upward Factors

- Significant growth in revenue with higher contribution from value added products as well as power cost savings from solar power plant resulting in improvement in EBITDA margins.
- Sustenance of the capital structure at conservative level.

Downward Factors

- Significant decline in revenue and/or decline in EBITDA margins and/or any large unplanned debt funded capex leading deterioration in credit profile.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Successful completion of IPO results into improvement in net worth and debt profile.

RPEL successfully completed its initial public offerings in September 2023 and raised Rs.165.03 crore which includes OFS of Rs 30 crore (Net proceeds after IPO expenses are at

Rs.115 crore). This resulted in an improvement in net worth which has increased from Rs 100.5 crore at end FY 23 to Rs 243.91 crore at end FY 24. The capital structure marked by adjusted overall gearing has improved and stood at 0.28x as at end FY24 {vis-à-vis 0.87x as at end FY23}. Other metrics such as total outside liabilities to adjusted tangible net worth ratio has also improved and stood at 0.98x as at end FY24 {vis-à-vis 2.72x as at end FY23}.

Increase in overall revenue and improvement in profitability

Overall revenue has improved on y-o-y basis by 24% in FY24 and the company is now expected to demonstrate over 40% growth in FY25, going by 9mFY25 performance. The company has already exhibited an improvement in its EBITDA margins in 9mFY25 at 10.46% as compared to 9.51% in FY23. Infomerics notes that decline in EBITDA margins in FY24 to 8.4%, attributed to higher cost of goods sold in Q4FY24, due to reduction in value of raw material inventory at quarter end due to steadily declining raw material (steel scrap) prices. Infomerics expects that with the expected expansion in the product portfolio to include fasteners, the EBITDA margins are likely to improve to over 10.5% levels in FY26.

Long track record of operation and extensive experience of promoters in steel industry.

RPEL, incorporated in 2002 and commenced its operations since 2002 under the leadership of Sanghvi family and thus the company has a long track record of operations of two decades in the stainless-steel industry resulting in established relationship with customers with successful widespread in domestic as well as global market. Apart from directors, the RPEL has a well experienced and qualified management team to execute and monitor the work undertaken for satisfactory completion.

Diversified customer profile.

RPEL sells its products both in the domestic as well as international markets. In the domestic market, it sells its products to the manufacturers as well as traders / stockiest and end customers while in the international market it supplies products through traders / stockists. Further it has been exporting since incorporation and as on date, some of the export destinations include namely Germany, UK, Spain, Netherland, etc. Thus, diversified customer base profile signifies non-dependence on any single customer and thereby hedges its business operations from potential customer specific risk, sector specific risks, change in global markets and international relations etc.

Benefits of on-going capex plans

RPEL has incurred capex of Rs 45.94 crores (phase I) to enhance its product portfolio capacities and installation of 2MW solar power plant for captive use. The capex is funded through a mix of debt (71%) and equity (29%), RPEL has already completed 98% of the capex as on 20th February 2025. Also, the company is planning for phase II of Rs 67.68 crore, which will further enhance the capacity with new product line comprising of fasteners. RPEL will benefit due to lower power and fuel cost and enhanced product portfolio which will result in optimum operating efficiency. Higher realisations on fasteners and circlips will help boost operating margins.

Synergistic business models focused on backward integration.

RPEL has developed a synergistic system of backward integration whereby it processes the scrap generated in manufacturing of their products for converting back into the raw material which is utilized again in manufacturing. Thus, the raw material required is also partly for being generated in-house, while the waste being produced in the manufacturing process is being completely utilized, ensuring minimal wastage. This backward integration into steel melting shop (comprising induction furnace) helps in achieving efficiency in the production process and gaining competitive advantage, reducing in product costs, control over supply of raw materials and reduce our dependency on third parties for our operations.

Key Rating Weaknesses

Working capital intensive nature of operations.

RPEL's operations remain working capital-intensive, as its business requires a significant amount of working capital primarily as a considerable amount of time passes between purchase of raw materials and collections of receivables post sales to customers. As a result, RPEL is required to maintain sufficient stock at all times in order to meet manufacturing requirements. The operating cycle of RPEL has elongated and stood at 157 days in FY24 {as against 167 days in FY23}. Efficient working capital management will remain a key rating sensitivity from the rating perspective.

Highly competitive and fragmentated nature of industry.

RPEL operates in an industry which is highly competitive and fragmented and competes with a range of organized and unorganized players, both at the national and regional level. Further, while RPEL has an expanding portfolio of products, its competitors may have the advantage of focusing on concentrated products Further, the company competes against established players also in the fasteners segment, who may have greater access to financial, technical, and marketing resources and expertise available to them than RPEL in its products. Infomerics notes the competitive intensity in the stainless-steel washer and fasteners segment would be lower than in the mild steel/ carbon steel products segments.

Profit margins exposed to fluctuations in steel price movements and foreign exchange risk.

RPEL is vulnerable to the volatility in the raw material and finished goods prices. The prices of key raw materials, such as stainless scrap, SS Sheets and SS coils have shown a volatile trend over the years and are determined by market forces. Further, RPEL's profitability remains exposed to adverse fluctuations in foreign currency, which is partially mitigated by certain degree of cross hedging.

Analytical Approach: Standalone

Applicable Criteria:

Criteria on assigning rating outlook

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Policy on Default Recognition and Post-Default Curing Period

Complexity Level of Rated Instruments/Facilities

Policy on Withdrawal of Ratings

Liquidity – Adequate

RPEL has adequate liquidity supported by estimated gross cash accruals of over Rs. 60-90 crore per annum against expected repayment obligations of Rs. 3.36 crore in FY 25, Rs 8.42 crore in FY 26 and Rs 12.60 crore in FY 27 as on December 2024 The bank limit remains utilized at around 38 % for past 12 months ended January 2025. The timely completion of capex along with utilization of limits and controlled working capital cycle with increasing scale of operations will remain monitorable factor. Further RPEL has free cash and balance Rs.25.66 crore as on December 2024. The current ratio remained at 1.75 as at end 2024. The high cash balances can be attributed to unutilised proceeds of the IPO being parked in the current account.

About the Company

RPEL, manufactures stainless steel products in Vadodara (Gujarat). RPEL is promoted by Mr. Ramanand Sanghvi and currently managed by Mr. Vijay Sanghvi and family. The Company manufactures stainless steel washers, solar mounting hooks, finishing sheets and SS tubes & pipes products, which find application in elevators, doors, and home appliances. The company produce more than 2500 washers in different sizes and international standards. The company incorporates an in-house backward integrated manufacturing facility, which makes them independent to manufacture any product size at any time. The manufacturing facilities located at Vadodara and Ahmedabad, Gujarat with an installed capacity of 30,000 metric tons per annum, which was utilized around 77% during last three years ended as on March 31, 2024. The company has completed 98% capex Phase 1 as on 20th February 2025 with the remaining minor works to be fully concluded by March 15,2025. Further, commercial production of fasteners and circlip products commenced on February 15, 2025, with enhanced capacity while adding to the new product line. The total capacity will increase to 53,194 metric TPA from around 30,000 TPA as a result of the capex in phase 1.

Financials (Standalone)*:

(Rs. Crore)

For the year ended / As on	31-Mar-2023 (Audited)	31-Mar-2024 (Audited)
Total Operating Income	479.75	595.38
EBITDA	45.63	49.98
PAT	25.04	31.05
Total Debt	87.14	68.01
Tangible Net worth	100.50	243.91

For the year ended / As on	31-Mar-2023 (Audited)	31-Mar-2024 (Audited)
EBITDA Margin (%)	9.51	8.40
PAT Margin (%)	5.21	5.15
Overall Gearing Ratio (times)	0.87	0.28
Interest Coverage(x)	3.71	4.14

**Classification as per Infomerics standards*

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-2023
	PR Date				**18-Jan-24**	**15-Jun-2023**	
1.	Long Term Bank Facilities	Long Term	117.78	IVR BBB+/Positive Outlook	IVR BBB+/Stable Outlook	IVR BBB / Positive Outlook	--
2.	Short Term Bank Facilities	Short Term	178.00	IVR A2	IVR A2	IVR A3	--

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About Infomerics:

Infomerics Valuation And Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] 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.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term – Fund Based – GECL Loan	–	–	March 2027	4.24	IVR BBB +/Positive
Long Term – Fund Based – ECLGS – I	–	–	June 2027	2.23	IVR BBB +/Positive

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term – Fund Based – ECLGS – II	–	–	Oct-2026	1.31	IVR BBB +/Positive
Long Term – Fund Based – Term Loan	-	-	March 2032	33.00	IVR BBB +/Positive
Long Term – Fund Based – Cash Credit	–	–	–	77.00	IVR BBB +/Positive
Short Term – Non-Fund Based – Letter of Credit	–	–	–	177.89	IVR A2
Short Term – Non-Fund Based – Bank Guarantee	–	–	–	0.11	IVR A2

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-ratnaveerp-mar25.pdf

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

Annexure 4: List of companies considered for consolidated 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.