

May 09, 2023

Ramkrishna Forgings Limited - Update on Material Event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Term loan	490.05	490.05	[ICRA]A+(Stable) Outstanding
Working capital facilities	655	655	[ICRA]A+(Stable) Outstanding
Fund-based limits	55	55	[ICRA]A+(Stable)/[ICRA]A1 Outstanding
Non-fund based limits	330	330	[ICRA]A1 Outstanding
Total	1530.05	1530.05	

*Instrument details are provided in Annexure-1

Rationale

Ramkrishna Forgings Limited (RKFL) has announced its quarterly results on April 28, 2023. The company reported a consolidated operating income of Rs. 3193 crore with an operating profit (OPBDITA) of Rs. 692 crore and a Profit after tax (PAT) of Rs. 248 crore in FY2023 against an operating income of Rs. 2320 crore with an OPBDITA of Rs. 517 crore and a PAT of Rs 198 crore in FY2022. RKFL's consolidated gross debt position remains at ~Rs. 1333 crore (including customer bill discounting for Rs. 105 crore) as on March 31, 2023, largely in line with ICRA expectations. The ratings remain unchanged at the earlier rating of [ICRA]A+/Stable/A1 as the results are broadly in line with expectations.

Additionally, ICRA takes note that a consortium of RKFL and Titagarh Wagons Limited (RKFL-TWL Consortium) has received a Letter of Award (LOA) from the Ministry of Railways for manufacturing and supply of 15.4 lacs forged wheels over a period of 20 years. The consortium is expected to set up a wheel manufacturing unit, which would entail a project capex of ~Rs. 1200 crore to be expended over the next three years and is expected to be funded through a mix of equity and debt. While the project remains at nascent stage, ICRA will continue to monitor RKFL's financing plans and its resultant impact on the credit metrics and liquidity of the consolidated entity.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position, Rating sensitivities, Key financial indicators: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	The rating is based on the consolidated financial profile of the company. As on March 31, 2022, the company had 3 subsidiaries enlisted in Annexure 2.

About the company

Incorporated in 1981, RKFL commenced operations in 1984 primarily as a forging manufacturer for the Indian Railways. Manufacturing from its two facilities located in and around Jamshedpur and another small unit near Kolkata, the company's existing annualised installed capacity is ~187100 MTPA, including forgings, ring rolling, press line and fabrication capacities. RKFL's forging capacity will be augmented by ~56300 MT by addition of press lines and upsetters, including warm forging press, expected to be commissioned in current year.

RKFL has a 100% subsidiary, Globe All India Services Limited (GAISL) (formerly, Globe Forex & Travels Limited). Incorporated in 1994, GFTL, is involved in the travel and ticketing business and organises corporate leisure trips, conferences and others.

Key financial indicators (audited)

RKFL Consolidated	FY2022	FY2023
Operating income (Rs. crore)	2320.2	3192.9
PAT (Rs. crore)	199.7	247.4
OPBDIT/OI (%)	22.3%	21.7%
PAT/OI (%)	8.6%	7.7%
Total outside liabilities/Tangible net worth (times)	2.2	1.8
Total debt/OPBDIT (times)	3.1	1.9
Interest coverage (times)	5.3	5.8

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current Rating (FY2024)				Chronology of Rating History for the past 3 years							
	Type	Amount Rated (Rs. crore)	Amount Outstanding as on Mar 31, 2023 (Rs. crore)	Date & Rating	Date & Rating in FY2023				Date & Rating in FY2022		Date & Rating in FY2021	
					May 09, 2023	Mar 01, 2023	Dec 12, 2022	Jun 30, 2022	Sep 06, 2021	Jun 28, 2021	Mar 30, 2021	Jun 1, 2020
1 Term Loan	Long Term	490.05	490.05	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A (Positive)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A- (Positive)	[ICRA]A- (Stable)	[ICRA]A- (Negative)
2 Working Capital Facilities	Long Term	655	-	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A (Positive)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A- (Positive)	[ICRA]A- (Stable)	[ICRA]A- (Negative)
3 Fund-based limits	Long Term/Short Term	55	-	[ICRA]A+ (Stable)/[ICRA]A1	[ICRA]A+ (Stable)/[ICRA]A1	[ICRA]A+ (Stable)/[ICRA]A1	[ICRA]A (Positive)/[ICRA]A1	[ICRA]A (Stable)/[ICRA]A1	[ICRA]A (Stable)/[ICRA]A1	[ICRA]A- (Positive)/[ICRA]A2+	[ICRA]A- (Stable)/[ICRA]A2+	[ICRA]A- (Negative)/[ICRA]A2+
4 Non-fund based limits	Short Term	330	-	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+

Complexity level of the rated instrument

Instrument	Complexity Indicator
Term loan	Simple
Working capital facilities	Simple
Fund-based limits	Simple
Non-fund based limits	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: [Click Here](#)

Annexure-I: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Term Loan	2015-2018	NA	2025	490.05	[ICRA]A+(Stable)
NA	Working Capital Facilities	NA	NA	NA	655	[ICRA]A+(Stable)
NA	Fund-based limits	NA	NA	NA	55	[ICRA]A+(Stable)/[ICRA]A1
NA	Non-fund based limits	NA	NA	-	330	[ICRA]A1

Source: Company

Annexure-II: List of entities considered for consolidated analysis

Company Name	RKFL Ownership	Consolidation Approach
Globe All India Services Limited (Formerly Globe Forex & Travels Limited)	100%	Full Consolidation
Ramkrishna Aeronautics Pvt. Ltd.	100%	Full Consolidation
Ramkrishna Forgings LLC	100%	Full Consolidation

Source: RKFL

Note: ICRA has taken a consolidated view of the parent (RKFL), its subsidiaries and associates while assigning the ratings.

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