

## Rating Rationale

February 09, 2024 | Mumbai

### Rajratan Global Wire Limited

Ratings reaffirmed at 'CRISIL A+/Stable/CRISIL A1'

#### Rating Action

<b>Total Bank Loan Facilities Rated</b>	<b>Rs.323 Crore</b>
<b>Long Term Rating</b>	<b>CRISIL A+/Stable (Reaffirmed)</b>
<b>Short Term Rating</b>	<b>CRISIL A1 (Reaffirmed)</b>

*Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.*

*1 crore = 10 million*

*Refer to Annexure for Details of Instruments & Bank Facilities*

#### Detailed Rationale

CRISIL Ratings has reaffirmed its 'CRISIL A+/Stable/CRISIL A1' ratings on the bank facilities of Rajratan Global Wire Limited (Rajratan India; part of the Rajratan group).

The ratings continue to reflect the group's strong market position in the tyre bead wire (TBW) industry backed by established presence in India and Thailand, experienced promoters and reputed and diverse clientele. The ratings also factor in a healthy financial risk profile supported by comfortable capital structure and strong debt protection metrics. These strengths are partially offset by exposure to cyclical demand from end-user industry, susceptibility of operating margin to volatility in raw material prices and exposure to project risks.

The group recorded overall operating income and operating profitability margin of Rs 896 crore and 18.4% respectively in fiscal 2023 as against Rs 894 crore and 20.45% in the previous fiscal. The group's operating performance remains stable despite sluggish economic activity and muted demand globally primarily due to the continued geopolitical conflicts disrupting supply channels, volatility in commodity prices and stoking inflation. Demand pressure was more evident for the Thailand unit as it is more dependent on exports. During 9MFY24, the group was able to achieve operating income of Rs 650 crore and margins dipped to around 14.33%. The group has been facing stiff competition, causing pricing pressure leading to lower operating margins. Nevertheless, the margins are expected to improve over the medium term with scalability in operations resulting from capacity additions and better absorption of fixed costs.

The group's financial risk profile continues to be healthy, driven by limited reliance on external debt owing to strong cash flow from operations. Though the company has been regularly incurring capital expenditure (capex), reliance on debt has been minimal. Furthermore, the working capital cycle is managed efficiently, reflected in negligible debtors and moderate inventory.

#### Analytical Approach

CRISIL Ratings has combined the financial and business risk profiles of Rajratan India and its wholly owned subsidiary, Rajratan Thai Wire Company Ltd (Rajratan Thailand), collectively referred to as the Rajratan group, as the companies are in the same business and have financial fungibility.

*Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.*

#### Key Rating Drivers & Detailed Description

##### Strengths:

- **Strong market position in the TBW business backed by experienced promoter:** The group is a leading manufacturer of TBW in India with a sizeable market share and is the sole TBW manufacturer in Thailand. Aided by its large capacity and long track record, the group has been increasing its wallet share with key customers, leading to a rise in market share. The group has established strong relationships with key customers, such as MRF Ltd, Apollo Tyres, CEAT Ltd and Bridgestone Tyres in India, and has reputed clientele in Thailand, such as Sumitomo Rubber (Thailand) Co Ltd and Yokohama Tire. The capacity in Thailand meets local demand from the tyre hub of Thailand and exports to nearby countries. The group derives 20-25% of its revenue from exports to Sri Lanka, Vietnam, Finland, Sweden, and Indonesia. Diversity in geographical reach and clientele along with enhanced capacities should continue to support the business.

Furthermore, significant entry barriers in the industry owing to a long product approval phase, given the criticality of TBW in safety, and large capital cost in setting up new capacity mean that established market players such as the Rajratan group shall benefit from the rising demand.

The group also benefits from the extensive experience of the promoter. The key promoter, Mr Sunil Chordia, Managing Director, has over two decades of experience in the TBW industry. His experience was instrumental in ramping-up operations in Thailand and increasing capacities.

- **Healthy financial risk profile:** The financial risk profile has improved over the years despite capital expenditure (capex), supported by enhanced operating performance. Networth was healthy at Rs 434 crore and gearing and total outside liabilities to adjusted networth ratios comfortable at 0.39 and 0.69 time, respectively, as on March 31, 2023. The capital structure has improved in the past three fiscals owing to the build-up in networth and steady debt level. Debt protection metrics were strong, reflected in interest coverage and net cash accrual to total debt ratios of 9 times and 0.63 time, respectively, in fiscal 2023, supported by strong operating profitability.

In the current fiscal, group has enhanced the capacity of the Thailand facility to 60,000 tonne per annum (TPA) from 40,000 TPA in October 2023. Further, the group is setting up a 60000 MT TBW capacity at Chennai at a total cost of Rs 300 crore for which debt of almost Rs 135 crore would be availed. The project is expected to be completed fully before June 2025. The first phase of the project with 30000 MT bead wire capacity is expected to be operational in Q1 of fiscal 2024-2025. The project is majorly being funded by internal accruals. Given the limited reliance on debt for the capex, the financial risk profile is expected to remain healthy over the medium term.

- **Efficient working capital management:** Gross current assets (GCAs) were 98-119 days over the three fiscals ended March 31, 2023, driven by moderate inventory and receivables. Credit available on procurement supports prudent working capital management.

#### **Weaknesses:**

- **Exposure to cyclical end-user industry demand:** Performance is linked to demand for tyres. Generally, 70% of the tyre demand comes from the replacement market, while the remaining comes from new vehicles. The demand for tyres is linked to the performance of the auto industry and overall economy. As the auto industry is cyclical, exposure to this industry will continue to constrain the business risk profile. Strong and sustained revenue growth and maintenance of steady operating margin remain critical in various business cycles. Further, the business is also dependent on tariffs and trade restrictions. Any unfavourable change in tariff or trade restriction may impact the group's income and earnings.
- **Susceptibility to volatility in raw material prices:** Prices of steel, copper and zinc the primary raw materials are volatile. As raw material cost comprises 60% of operating income or cost of manufacturing, operating margin is susceptible to sharp adverse movement in input prices. However, the group can pass on price increases to customers with a lag of about three months. Maintenance of healthy levels of operating margins will be key monitorable over the medium term.
- **Exposure to project risks:** The group is executing a large capex of Chennai project in a phased manner. Completion and stabilisation risks relating to the project persist.

#### **Liquidity: Strong**

Liquidity will remain strong over the medium term driven by expected healthy cash accrual against debt obligation and moderately utilised bank lines. Expected cash accrual of Rs 80-110 crore should comfortably cover term debt obligation of Rs 26-35 crore over the medium term and support liquidity. Bank limit utilisation was moderate at 53% for the 14 months through November 2023. Low gearing and healthy networth support financial flexibility.

#### **Outlook: Stable**

CRISIL Ratings believes Rajratan India will continue to benefit from the extensive experience of the promoter and established relationships with clients.

#### **Rating Sensitivity factors**

##### **Upward factors**

- Steady increase in revenue to Rs 1000 crore and above and stable operating margin, leading to higher cash accruals.
- Maintenance of healthy financial risk profile and liquidity.

##### **Downward factors**

- Debt to EBITDA ratio over 1.75 times consistently.
- Decline in operating income or operating margin, leading to lower-than-expected cash accruals.
- Larger-than-anticipated capex, or stretch in the working capital cycle, thus affecting the financial risk profile and liquidity.

#### **About the Group**

Rajratan India was incorporated in 1988 as Rajratan Wires Pvt Ltd by Mr Sunil Chordia and commenced commercial production in 1991. The company got its current name in 2004. It manufactures TBWs and supplies to tyre manufacturers in India. The manufacturing unit is located in Pithampur, Madhya Pradesh, and has TBW capacity of 60,000 TPA and carbon steel wire capacity of 12,000 TPA. The company is listed on the Bombay Stock Exchange.

Rajratan Thailand, based in Thailand, was incorporated in 2006. It also manufactures tyre beads. It was set up to serve Thailand-based clients and emerging markets. Thailand is the largest producer of rubber, and hence, it is the hub of all major tyre manufacturers. Rajratan Thailand operates one plant in Ratchaburi with capacity of 60,000 MTPA.

### Key Financial Indicators (Consolidated)

As on / for the period ended March 31		2023	2022
Operating income	Rs crore	896.42	894.33
Reported profit after tax (PAT)	Rs crore	100.13	124.33
PAT margin	%	11.17	13.90
Adjusted debt/Adjusted networth	Times	0.39	0.41
Interest coverage	Times	9.83	11.90

**Any other information:** Not Applicable

### Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit [www.crisilratings.com](http://www.crisilratings.com). Users may also call the Customer Service Helpdesk with queries on specific instruments.

### Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity levels	Rating assigned with outlook
NA	Cash credit	NA	NA	NA	90.25	NA	CRISIL A+/Stable
NA	Standby line of credit	NA	NA	NA	15	NA	CRISIL A1
NA	Term loan	NA	NA	Mar-2029	127.75	NA	CRISIL A+/Stable
NA	Letter of credit	NA	NA	NA	90	NA	CRISIL A1

### Annexure – List of entities consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Rajratan Global Wire Limited	Full	Parent
Rajratan Thai Wire Company Ltd	Full	Wholly owned subsidiary of Rajratan India

### Annexure - Rating History for last 3 Years

Instrument	Current			2024 (History)		2023		2022		2021		Start of 2021
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	ST/LT	233.0	CRISIL A+/Stable / CRISIL A1		--		--	07-12-22	CRISIL A+/Stable / CRISIL A1	20-10-21	CRISIL A+/Stable / CRISIL A1	Withdrawn
Non-Fund Based Facilities	ST	90.0	CRISIL A1		--		--	07-12-22	CRISIL A1	20-10-21	CRISIL A1	Withdrawn

All amounts are in Rs.Cr.

### Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit	45.25	State Bank of India	CRISIL A+/Stable
Cash Credit	30	HDFC Bank Limited	CRISIL A+/Stable
Cash Credit	10	Citibank N. A.	CRISIL A+/Stable

Cash Credit	5	ICICI Bank Limited	CRISIL A+/Stable
Letter of Credit	25	HDFC Bank Limited	CRISIL A1
Letter of Credit	65	ICICI Bank Limited	CRISIL A1
Standby Line of Credit	15	Citibank N. A.	CRISIL A1
Term Loan	24.67	HDFC Bank Limited	CRISIL A+/Stable
Term Loan	25	Kotak Mahindra Bank Limited	CRISIL A+/Stable
Term Loan	4.11	State Bank of India	CRISIL A+/Stable
Term Loan	73.97	HDFC Bank Limited	CRISIL A+/Stable

## Criteria Details

### Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

[Rating Criteria for Auto Component Suppliers](#)

[CRISILs Criteria for Consolidation](#)

[Understanding CRISILs Ratings and Rating Scales](#)

Media Relations	Analytical Contacts	Customer Service Helpdesk
<p><b>Aveek Datta</b> Media Relations <b>CRISIL Limited</b> M: +91 99204 93912 B: +91 22 3342 3000 <a href="mailto:AVEEK.DATTA@crisil.com">AVEEK.DATTA@crisil.com</a></p> <p><b>Prakruti Jani</b> Media Relations <b>CRISIL Limited</b> M: +91 98678 68976 B: +91 22 3342 3000 <a href="mailto:PRAKRUTI.JANI@crisil.com">PRAKRUTI.JANI@crisil.com</a></p> <p><b>Rutuja Gaikwad</b> Media Relations <b>CRISIL Limited</b> B: +91 22 3342 3000 <a href="mailto:Rutuja.Gaikwad@ext-crisil.com">Rutuja.Gaikwad@ext-crisil.com</a></p>	<p>Jaya Mirpuri Director <b>CRISIL Ratings Limited</b> B:+91 22 3342 3000 <a href="mailto:jaya.mirpuri@crisil.com">jaya.mirpuri@crisil.com</a></p> <p>Naveen Surendran Manager <b>CRISIL Ratings Limited</b> B:+91 22 4040 5800 <a href="mailto:Naveen.Surendran@crisil.com">Naveen.Surendran@crisil.com</a></p> <p>Vishnu Patel Senior Rating Analyst <b>CRISIL Ratings Limited</b> B:+91 20 4018 1900 <a href="mailto:Vishnu.Patel@crisil.com">Vishnu.Patel@crisil.com</a></p>	<p>Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301</p> <p>For a copy of Rationales / Rating Reports: <a href="mailto:CRISILratingdesk@crisil.com">CRISILratingdesk@crisil.com</a></p> <p>For Analytical queries: <a href="mailto:ratingsinvestordesks@crisil.com">ratingsinvestordesks@crisil.com</a></p>



**Note for Media:**

This rating rationale is transmitted to you for the sole purpose of dissemination through your newspaper/magazine/agency. The rating rationale may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL Ratings. However, CRISIL Ratings alone has the sole right of distribution (whether directly or indirectly) of its rationales for consideration or otherwise through any media including websites and portals.

**About CRISIL Ratings Limited (A subsidiary of CRISIL Limited, an S&P Global Company)**

CRISIL Ratings pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we set the standards in the credit rating business. We rate the entire range of debt instruments, such as bank loans, certificates of deposit, commercial paper, non-convertible/convertible/partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 33,000 large and mid-scale corporates and financial institutions. We have also instituted several innovations in India in the rating business, including ratings for municipal bonds, partially guaranteed instruments and infrastructure investment trusts (InvITs).

CRISIL Ratings Limited ('CRISIL Ratings') is a wholly-owned subsidiary of CRISIL Limited ('CRISIL'). CRISIL Ratings Limited is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI").

For more information, visit [www.crisilratings.com](http://www.crisilratings.com)

**About CRISIL Limited**

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better.

It is India's foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers through businesses that operate from India, the US, the UK, Argentina, Poland, China, Hong Kong and Singapore.

It is majority owned by S&P Global Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit [www.crisil.com](http://www.crisil.com)

Connect with us: [TWITTER](#) | [LINKEDIN](#) | [YOUTUBE](#) | [FACEBOOK](#)

---

**CRISIL PRIVACY NOTICE**

CRISIL respects your privacy. We may use your contact information, such as your name, address and email id to fulfil your request and service your account and to provide you with additional information from CRISIL. For further information on CRISIL's privacy policy please visit [www.crisil.com](http://www.crisil.com).

**DISCLAIMER**

This disclaimer is part of and applies to each credit rating report and/or credit rating rationale ('report') that is provided by CRISIL Ratings Limited ('CRISIL Ratings'). To avoid doubt, the term 'report' includes the information, ratings and other content forming part of the report. The report is intended for the jurisdiction of India only. This report does not constitute an offer of services. Without limiting the generality of the foregoing, nothing in the report is to be construed as CRISIL Ratings providing or intending to provide any services in jurisdictions where CRISIL Ratings does not have the necessary licenses and/or registration to carry out its business activities referred to above. Access or use of this report does not create a client relationship between CRISIL Ratings and the user.

We are not aware that any user intends to rely on the report or of the manner in which a user intends to use the report. In preparing our report we have not taken into consideration the objectives or particular needs of any particular user. It is made abundantly clear that the report is not intended to and does not constitute an investment advice. The report is not an offer to sell or an offer to purchase or subscribe for any investment in any securities, instruments, facilities or solicitation of any kind to enter into any deal or transaction with the entity to which the report pertains. The report should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in

the US).

Ratings from CRISIL Ratings are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold or sell any securities/instruments or to make any investment decisions. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their issue. CRISIL Ratings assumes no obligation to update its opinions following publication in any form or format although CRISIL Ratings may disseminate its opinions and analysis. The rating contained in the report is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment or other business decisions. The recipients of the report should rely on their own judgment and take their own professional advice before acting on the report in any way. CRISIL Ratings or its associates may have other commercial transactions with the entity to which the report pertains.

Neither CRISIL Ratings nor its affiliates, third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively, 'CRISIL Ratings Parties') guarantee the accuracy, completeness or adequacy of the report, and no CRISIL Ratings Party shall have any liability for any errors, omissions or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the report. EACH CRISIL RATINGS PARTY DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CRISIL Ratings Party be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the report even if advised of the possibility of such damages.

CRISIL Ratings may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities or from obligors. Public ratings and analysis by CRISIL Ratings, as are required to be disclosed under the regulations of the Securities and Exchange Board of India (and other applicable regulations, if any), are made available on its website, [www.crisilratings.com](http://www.crisilratings.com) (free of charge). Reports with more detail and additional information may be available for subscription at a fee - more details about ratings by CRISIL Ratings are available here: [www.crisilratings.com](http://www.crisilratings.com).

CRISIL Ratings and its affiliates do not act as a fiduciary. While CRISIL Ratings has obtained information from sources it believes to be reliable, CRISIL Ratings does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and/or relies on in its reports. CRISIL Ratings has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CRISIL Ratings has in place a ratings code of conduct and policies for managing conflict of interest. For details please refer to: <https://www.crisil.com/en/home/our-businesses/ratings/regulatory-disclosures/highlighted-policies.html>.

Rating criteria by CRISIL Ratings are generally available without charge to the public on the CRISIL Ratings public website, [www.crisilratings.com](http://www.crisilratings.com). For latest rating information on any instrument of any company rated by CRISIL Ratings, you may contact the CRISIL Ratings desk at [crisilratingdesk@crisil.com](mailto:crisilratingdesk@crisil.com), or at (0091) 1800 267 1301.

This report should not be reproduced or redistributed to any other person or in any form without prior written consent from CRISIL Ratings.

All rights reserved @ CRISIL Ratings Limited. CRISIL Ratings is a wholly owned subsidiary of CRISIL Limited.

CRISIL Ratings uses the prefix 'PP-MLD' for the ratings of principal-protected market-linked debentures (PPMLD) with effect from November 1, 2011, to comply with the SEBI circular, "Guidelines for Issue and Listing of Structured Products/Market Linked Debentures". The revision in rating symbols for PPMLDs should not be construed as a change in the rating of the subject instrument. For details on CRISIL Ratings' use of 'PP-MLD' please refer to the notes to Rating scale for Debt Instruments and Structured Finance Instruments at the following link: <https://www.crisil.com/en/home/our-businesses/ratings/credit-ratings-scale.html>