

9th February, 2024

Corporate Relationship Department
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400 001

National Stock Exchange of India Limited
Exchange Plaza, Plot No. C-1,
Block G, Bandra – Kurla Complex,
Bandra (East), Mumbai – 400 051

Script Code: 522281

Symbol: RAMRAT

Sub.: Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) - Intimation of Credit Rating assigned by India Ratings & Research Private Limited

Dear Sir/Madam,

Pursuant to Regulation 30 of the Listing Regulations, we wish to inform you that India Ratings & Research Private Limited (India Ratings & Research) has reaffirmed the Credit Rating of Ram Ratna Wires Limited (“the Company”), Long Term Bank Facilities at **IND BBB+** and its Short Term Bank Facilities at **IND A2**.

Further, the India Ratings & Research has kept the Outlook of the Long Term Bank Facilities of the Company same as “Positive”.

A copy of the Rating Letter issued by India Ratings & Research Private Limited is enclosed herewith.

You are requested to kindly take note of the same.

Thanking you,

Yours sincerely,

For **RAM RATNA WIRES LIMITED**

Saurabh Gupta
Company Secretary & Compliance Officer
M. No.: A53006

Encl: As Above

India Ratings Affirms Ram Ratna Wires's Bank Facilities at 'IND BBB+' / Positive

Feb 08, 2024 | Other Electrical Equipment

India Ratings and Research (Ind-Ra) has taken the following rating actions on Ram Ratna Wires Limited's (RRWL) bank facilities:

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Term loans	-	-	June 2024	INR6.8 (reduced from INR34.2)	IND BBB+/Positive	Affirmed
Fund-based limits	-	-	-	INR3,300.0	IND BBB+/Positive/ IND A2	Affirmed
Non-fund-based limits	-	-	-	INR680.0	IND A2	Affirmed

Analytical Approach: To arrive at the ratings, Ind-Ra continues to take a consolidated view of RRWL and its subsidiaries, Global Copper Limited (GCL; 60% stake), Epavo Electricals Pvt. Ltd. (Epavo; 74% stake) and joint venture (JV) RR-Imperial Electricals (10% stake), in view of the moderate-to-strong operational and strategic linkages among the entities. Although Epavo and RR-Imperial Electricals were included in the company's annual report in FY22, the subsidiary and the JV had a minimal impact on the financial profile of RRWL.

The Positive Outlook reflects Ind-Ra's expectation of RRWL's improved net interest coverage ratio over FY24-FY26, driven by a likely increased EBITDA and an improvement in the capacity utilisation given a demand pickup.

Key Rating Drivers

Consistent Improvement in Revenue and EBITDA: RRWL's operational performance improved in FY23, led by an increase in its capacity utilisation despite fluctuations in copper prices. Its consolidated revenue increased to INR26,496 million in FY23 (FY22: INR22,886 million). Its EBITDA (excluding foreign exchange (FX) gains) remained stable at INR1,092 million in FY23; but including FX gains, the EBITDA was INR1,115 million (INR1,127 million). Given the fluctuations in the copper prices, the EBITDA per tonne moderated to INR32,118 in FY23 (FY22: INR37,442), while the EBITDA margins (excluding FX) declined to 4.1% (4.8%; 4.0%); but including FX, the margins were 4.2% (4.9%).

The agency expects its sales volumes to improve in FY24, led by the improved capacity utilisations, due to robust demand from the end-user segments. The management expects the sales volumes to increase 5%-7% yoy to around 32,000 tonnes in FY24, supported by the increased demand from the end-used segments, such as transmission and distribution, automobile (electric vehicles), and capital goods segments. Despite higher sales

volumes and the benefits of operating leverage, the agency expects the EBITDA margins (excluding FX) to remain at 4%-5% over the medium term due to a likely normalisation of its product realisations. RRWL typically manages the price risk with back-to-back orders with its suppliers.

During 9MFY24, on a consolidated basis, RRWL reported revenue from operations of INR21,799 million and an EBITDA of INR825 million (excluding FX gains/ losses, EBITDA per tonne of INR32,658 and EBITDA margin of 3.78%).

Steady Credit Metrics; likely to Improve in FY24: RRWL's improved operational performance in FY23 led to its cash flows improving, supported by efficient management of working capital cycle. Although RRWL is incurring a capex to expand its capacity of copper tubes at Bhiwadi, its external debt requirements would remain low as it is funding the capex through the proceeds from the stake sale by RWL in RR Kabel and internal accruals. As a result, its credit metrics remained steady in FY23, with the consolidated net adjusted leverage (net adjusted debt (including letters of credit (LC) and channel financing in debt)/EBITDA) reduced to 3.8x in FY23 (FY22: about 4.0x; FY21: 6.6x), in line with the agency's expectation. The net interest coverage (EBITDA/net interest expense) moderated to 3.5x in FY23 (FY22: 4.3x; FY21: 2.5x) due to the company's steady EBITDA due to fluctuations in the copper prices. During 9MFY24, RRWL reported a net interest coverage ratio of 3.25x (including FX: 3.38x) and the net adjusted leverage (including LC acceptances) of 2.99x. The agency expects the credit matrices to improve over the medium term, despite the ongoing capex.

Liquidity Indicator - Adequate: RRWL had cash and liquid investment of INR551 million as of December 2023 (FYE23: INR136 million). RRWL's average monthly maximum utilisation of the fund-based limits was around 69% (as a percentage of the drawing power) and that of the non-fund based was around 24% over the 12 months ended December 2023. The net working capital cycle shortened to 47 days in FY23 (FY22: 65; FY21: 98), mainly due to an increase in the payable days to 28 (6; 3). The agency expects the working capital cycle to remain at the similar levels over the medium term. The company's free cash flow turned negative INR33 million in FY23 (FY22: INR1,030 million) and is likely to remain so over FY24-FY25, mainly on account of its higher capex. With the company's focus on channel financing and LC acceptances, there is limited requirement of a term loan.

Long Track Record; Wide Product Portfolio: The promoters have around five decades of experience in the winding wires business. Furthermore, RRWL has developed a range of winding wire products over the years. Its portfolio comprised 16 products that broadly fall into four groups, such as enameled copper wire, enameled copper strips, submersible winding wire, and enameled aluminum wire. The company's products are utilised in the industries such as transmission and distribution, automobile, capital goods manufacturing, consumer electricals, batteries, generators, among others.

Ongoing Capex unlikely to Impact Credit Metrics: RRWL is currently incurring a capex worth INR2,000 million to increase the capacity of copper tubes, used in air conditioning units, which still imports nearly 95% of its requirements. The capex has been funded through around INR1,200 million of proceeds from the sale of RRWL's stake in RR Kabel and the remaining INR800 million through internal accruals. The plant is likely to be operational by 2HFY25. As per agency, the copper tubes are likely to improve the mix of the company's value-added product line. The management stated that the company would not undertake any further major capex until the new capacities are fully functional. They may take up a maintenance capex of INR50 million-70 million, if needed.

Established Relationships with Reputed Clientele: RRWL has longstanding relationships of over 15 years with reputed original equipment manufacturers. Some of the customers include players such as Cummins Generator Technologies India Pvt Ltd (parent – Cummins Inc), and Godrej & Boyce Manufacturing Co. Ltd. The customer profile remains moderately diversified, with the top five domestic customers contributing around 22% to the total domestic revenue in FY23 (FY22: 25.6%).

Key Business Risks: RRWL remains exposed to intense competition from several organised and unorganised players in the industry. Furthermore, its profitability continues to be susceptible to fluctuations in the copper prices, with raw material costs accounting for around 90% of the FY23 revenue. The raw material price risk is largely managed by back-to-back purchases for copper; however, RRWL carries open inventories, and as such, remains exposed to sharp variations in raw material prices. The margins are exposed to forex fluctuations, although the

same is largely mitigated by prudent hedging policies.

Standalone Profile: In FY23, RRWL reported revenue of INR23,281 million (FY22: INR20,126 million), EBITDA of INR915 million (excluding FX gains/losses, INR945 million), an EBITDA margin of 3.9% (4.7%). During 9MFY24, RRWL reported standalone revenue of INR19,402 million, EBITDA of INR722 million and a margin of 3.7%.

Rating Sensitivities

Positive: An improvement in the capacity utilisation with a higher mix of value-added products, leading to an increase in the profitability; the net interest coverage staying above 4.0x and/or the likelihood of the consolidated net adjusted leverage falling below 3.5x, on a sustained basis, could lead to a positive rating action.

Negative: Any decline in the EBITDA margins and/or an elongation of the working capital cycle, resulting in the consolidated net adjusted leverage staying above 3.5x and/or the net interest coverage ratios falling below 4.0x, could lead to a negative rating action.

Company Profile

Incorporated in 1995, RRWL primarily manufactures copper winding wires. The company's products are used in generators, motors, transformers, and coils. The company has three manufacturing units, located in Silvassa, Dadra and Nagar Haveli.

CONSOLIDATED FINANCIAL SUMMARY

Particulars	9MFY24 (Provisional)	FY23	FY22
Revenue (INR million)	21,799	26,496	22,886
EBITDA (INR million)	825	1,092	1,095
EBITDA (incl. FX gains)	859	1,115	1,127
EBITDA margin (%)	3.78	4.12	4.78
EBITDA margin (%) (incl. FX gains)	3.93	4.20	4.92
Net interest coverage (x)	3.25	3.52	4.29
Net interest coverage ratio (incl. FX gains)	3.38	3.59	4.42
Net leverage* (x)	2.99	3.82	3.97
*Debt includes LC acceptances Source: RRWL; Ind-Ra			

Non-Cooperation with previous rating agency

Not applicable

Solicitation Disclosures

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

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Rating History

APPLICABLE CRITERIA

Parent and Subsidiary Rating Linkage

Evaluating Corporate Governance

Short-Term Ratings Criteria for Non-Financial Corporates

Corporate Rating Methodology

The Rating Process

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook			
	Rating Type	Rated Limits (million)	Rating	20 October 2023	9 November 2022	10 August 2021	22 May 2020
Issuer rating	Long-term	-	-	WD	IND BBB+/ Positive	IND BBB+/ Stable	IND BBB+/ Negative
Term loan	Long-term	INR6.80	IND BBB+/ Positive	-	IND BBB+/ Positive	IND BBB+/ Stable	IND BBB+/ Negative
Fund-based working capital limits	Long-term/ Short-term	INR3,300	IND BBB+/ Positive/ IND A2	-	IND BBB+/ Positive/ IND A2	IND BBB+/ Stable/ IND A2	IND BBB+/ Negative/ IND A2
Non-fund-based working capital limits	Short-term	INR680	IND A2	-	IND A2	IND A2	IND A2
Proposed working capital limits	Long-term/ Short-term	INR1,500	-	-	WD	IND BBB+/ Stable/ IND A2	-

Bank wise Facilities Details

[Click here to see the details](#)

Complexity Level of Instruments

Instrument Type	Complexity Indicator
Term loan	Low
Fund-based limits	Low
Non-fund-based limits	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

Contact

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About India Ratings and Research: India Ratings and Research (Ind-Ra) is committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

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