

RAMKRISHNA FORGINGS LIMITED

Date: 5th July 2021

The Listing Department
BSE Limited
PJ Towers
Dalal Street
Mumbai – 400 001
BSE SCRIP CODE: 532527

The Listing Department
National Stock Exchange of India Limited
“Exchange Plaza” C-1, Block G
Bandra- Kurla Complex, Bandra (E)
Mumbai- 400051
NSE SYMBOL: RKFORGE

Dear Sir / Madam

Sub: CREDIT RATING OUTLOOK REVISED TO A- (POSITIVE) FROM A- (STABLE)

Ref.: Disclosure under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

Pursuant to Regulation 30(6) read with Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“the Regulation”), we would like to inform you that as on 3rd July, 2021 the credit rating of the Company, has been reaffirmed at A- and Outlook has been changed from Stable to Positive by ICRA. In accordance with the Regulation, please find below the details of the revision in ratings of the Company:

Name of the Company	Credit Rating Agency	Type of Credit Rating	Existing Rating	Revised Rating	Rating Action	Rationale
Ramkrishna Forgings Limited	ICRA Ratings	Long Term Rating	[ICRA]A-	[ICRA]A-	Outlook revised to Positive from Stable	As mentioned below
		Short Term Rating	A2+	A2+	Outlook revised to Positive from Stable	

For RAMKRISHNA FORGINGS LTD.

COMPANY SECRETARY

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 forging facility comprises hammer forge and up-setter forge with a total capacity of 46,000 mtpa and a ring-rolling unit with a capacity of 24,000 mtpa. Additionally, RKFL has four press lines

REGISTERED & CORPORATE OFFICE

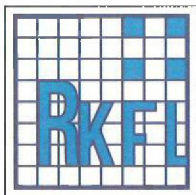
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EMAIL : info@ramkrishnaforgings.com, Website : www.ramkrishnaforgings.com

CIN NO. :L74210WB1981PLC034281





RAMKRISHNA FORGINGS LIMITED

having a cumulative capacity of 80,000 mtpa. The press lines were commissioned between FY2015 and FY2016 and helped the company expand its product portfolio.

RATIONALE

The revision in the long-term rating outlook factors in the steady improvement in Medium & Heavy Commercial Vehicle (M&HCV) demand in both the domestic as well as the export markets and Ramkrishna Forgings Limited's (RKFL) adequate capacity and product reach to cater to this rising demand. ICRA expects RKFL to register a healthy improvement in sales and operating profits in FY2022 and beyond, which would augment its operating cash flows. As the company is at the end of its capex cycle, it would be able to sweat its additional capacity at a time of market expansion and deleverage its balance sheet going forward. ICRA notes a sharp improvement in RKFL's financial performance in Q4 FY2021 with a 133% YoY growth and a 30% sequential growth in revenues. The operating margins also improved in Q4 FY2021 and stood at 20.8% compared to 16.5% in Q4 FY2021 and 19.4% in the last quarter. Given a favourable demand outlook for the M&HCV industry in FY2022, the positive momentum is expected to continue.

The ratings continue to factor in the established position of the company as a supplier of forged components with an increasing proportion of value-added products in its portfolio. Besides, the location-specific advantage derived from its proximity to raw-material sources helps in controlling the freight costs. The company's ability to pass on the rise in raw material prices to most of its customers resulted in a steady contribution levels over the years. The ratings are, however, constrained by the company's sales concentration in the domestic commercial vehicle (CV) segment, particularly to the M&HCV, which is more prone to economic cycles. In addition to the sectoral concentration risk, RKFL remains exposed to the client concentration risk with the CV division of Tata Motors Limited (TML) and its wholly-owned subsidiaries, accounting for a significant portion of domestic revenues and a single client accounting for the major portion of the company's export orders. Such risks are partially offset by the established market position of the export customer in the global auto-ancillary industry as well as the established market position of TML (rated at [ICRA]AA-/Stable & [ICRA]A1+), which has the largest market share in the domestic CV industry, thus reducing the counterparty credit risk. ICRA also positively factors in the importance of RKFL as a supplier to these counterparties, given the criticality of the components supplied. In addition, the company is planning to increase sales to the non-auto industries in the domestic market, which would further reduce concentration risks. Moreover, RKFL's recent efforts of acquiring new customers, particularly in Europe, have helped the company diversify its customer base to an extent. The ratings, however, remain constrained due to moderate levels of return on capital employed and high working capital intensity of business, mainly on account of long receivable period for its export orders. Nevertheless, RKFL's overall liquidity position is comfortable with sufficient unutilised working capital

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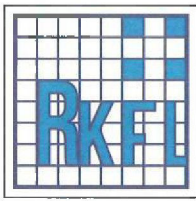
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facilities and a sanctioned long-term loan with an extended repayment schedule, a part of which is yet to be drawn.

ICRA also takes cognisance of RKFL's proposed acquisition of ACIL Limited. While the acquisition is likely to provide the company with an opportunity to further diversify its sectoral and customer base going forward, debt for the acquisition would impact the capital structure of the consolidated entity over the short to medium term. Moreover, the quality of the assets being taken over, time required to turn around the performance of the company, along with any additional investments required would be the key factors in determining the returns from the acquisition.

This is for the information of the exchange and the members.

Yours faithfully

For Ramkrishna Forgings Limited

For RAMKRISHNA FORGINGS LTD.

Rajesh Mundhra
COMPANY SECRETARY
Company Secretary

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