

PRESS RELEASE

RAJESH METAL CRAFTS LIMITED

April 2025

Ratings

Instrument/Facilities	Amount (NPR. Mn)	Ratings	Rating Action
Issuer Rating	NA	IRN BBB+ (Is)	Assigned

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has assigned the issuer rating of IRN BBB+ (Is) [Triple B Plus (Issuer)]. Issuers with this rating are considered to have moderate degree of safety regarding timely servicing of financial obligations. Such issuers carry moderate credit risk.

Detailed Rationale

The issuer ratings assigned to Rajesh Metal Crafts Ltd. (RMCL) derive strength from its long operational track record, experienced promoters, and a technically qualified management team. The company benefits from its affiliation with the RMC Group, which has a strong presence across multiple industries in Nepal. Additionally, RMCL's proximity to the Indo-Nepal border provides a logistical advantage by reducing freight costs and facilitating exports. The company also maintains a diversified product portfolio catering to multiple industries, ensuring stable demand.

However, these rating strengths are partially offset by declining operational performance, as reflected in the significant decline in Total Operating Income (TOI) and profitability margins over the past two fiscal years, driven by reduced demand for key products. The rating also considers RMCL's moderate financial risk profile, which, despite a stable leverage position, is marked by manageable debt levels and working capital intensity, leading to increasing reliance on short-term borrowings. Furthermore, the company remains exposed to raw material price volatility, foreign exchange risks, and high inventory holding periods, which impact cash flow and profitability.

Going forward, RMCL's ability to enhance operational efficiencies, manage working capital effectively, and stabilize sales volume across key product segments will be critical. Additionally, maintaining healthy debt coverage metrics and successfully mitigating foreign exchange and raw material price risks will be key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Established and long track record of operations with experienced promoters and management team

Rajesh Metal Crafts Pvt. Ltd. (RMCL) has been operating in Nepal's metal industry since its establishment in 1992. Initially starting as a tin container manufacturer, the company has expanded its product portfolio to include over 17 different types of metal products, such as pipes, sheets, shutters, and poles. The company derives its strength from its affiliation with the RMC Group, which has a strong presence in Nepal across multiple industries such as steel, cement, refined oil etc. Mr. Rajesh Agrawal, chairman of the company possesses extensive experience of over three decades in the different industry. Additionally, the board is supported by a team of technically qualified and experienced professionals to efficiently operate the regular business.

Stable leverage position with manageable increase in debt

The company maintains a stable leverage position, despite a moderate increase in debt in FY24. The tangible net worth stood at ~NPR 2,771 Mn in FY24, compared to ~NPR 3,255 Mn in FY23, primarily due to lower profits and dividend distribution. Meanwhile, total debt increased from ~NPR 259 Mn in

FY23 to NPR 1,139 Mn in FY24, leading to a slight rise in the overall gearing ratio. However, it remains comfortably below 1x, reflecting the company's prudent financial management.

While the EBITDA margin declined from 7.96% in FY23 to 6.17% in FY24 due to lower realizations on finished products, the company continues to maintain healthy coverage ratios. The interest coverage ratio, though lower at 2.83x in FY24 (from 5.96x in FY23), remains adequate, and the DSCR of 2.97x in FY24 (compared to 5.55x in FY23) reflects the company's ability to meet its debt obligations.

Also, the upcoming Initial Public Offering (IPO) is expected to further enhance RMCL's equity capital and reduce dependence on debt, contributing to improved leverage ratios, financial flexibility, and overall financial strength in the coming years.

Proximity to Indian border leading to savings in freight cost and generating export sales

The plant site is located in Chorni, Simara of Bara District in central part of Nepal which is around 20 kms from Birgunj-Raxual customs, Indo-Nepal borders. The plant being close to the customs has led to saving in freight cost as the majority of raw materials requirements of RMCL are imported through Indian borders. The factory's proximity to Indian border has eased the export as well.

Diversified product portfolio having usability to wide range of industries

RMCL offers a diverse range of metal products catering to various industries, including construction, infrastructure, manufacturing, and engineering. Its portfolio comprises pipes, sheets, shutters, poles, and other metal components, all manufactured with a focus on precision and quality assurance to meet industry standards. RMCL's strong brand recognition, particularly under the premium "Heritage" CGI Sheet name, ensures consistent demand across Nepal while mitigating competitive price volatility. This strategic positioning has secured a significant market presence and stable turnover, primarily through direct sales channels nationwide. By adapting to industry trends through continuous product diversification and enhanced production capabilities, RMCL ensures sustained market relevance and reinforces its reputation as a dependable supplier in the metal sector.

Key Rating Weaknesses

Moderation in sales and profitability

RMCL experienced a sharp decline in operating performance, with Total Operating Income (TOI) dropping by ~47.91% to NPR 4,455 Mn in FY23 from NPR 8,560 Mn in FY22, followed by a further ~8.22% decline to NPR 4,073 Mn in FY24. Sales volume also contracted from ~62,000 MT in FY22 to ~32,000 MT in both FY23 and FY24, while EBITDA fell from NPR 1,951 Mn in FY21 to NPR 251 Mn in FY24, primarily due to weak product demand. Consequently, PAT for FY24 declined by ~68.34% to NPR 53 Mn. This decline was driven by a significant drop in key product sales. CGI Sheets, which contributed ~26% of total sales in FY22 (~NPR 2,263 Mn) and ~27% in FY23 (~NPR 1,218 Mn), plummeted to just ~3% (~NPR 116 Mn) in FY24, with sales volume falling drastically from 12,101 MT in FY22 to only 701 MT in FY24. GI Tubular followed a similar trend, declining from ~NPR 1,088 Mn in FY22 to ~NPR 333 Mn in FY24, as sales volume dropped from 7,075 MT to 1,748 MT over the same period. In contrast, GC Sheets recovered to ~NPR 1,951 Mn in FY24 from ~NPR 893 Mn in FY23. However, in 6MFY25, Black Pipe, GI Tubular, and CGI Sheets together accounted for over 70% of total sales, with an improvement in sales volume, indicating potential stabilization and shifting product demand. Moving forward, enhancing operational efficiencies and adapting to market conditions will be critical for restoring profitability.

Working capital intensive nature of business

RMCL's business remains working capital-intensive, with the company utilizing approximately 52% of its working capital loan drawing limit over the last 18 months, ending in mid-January 2025. The working capital intensity increased to 67% in FY24, up from 45% in FY23, highlighting a growing reliance on short-term borrowings to fund operations.

Operating in a highly competitive steel industry with numerous players, RMCL faces extended credit terms to customers, impacting cash flow. Additionally, as an import-oriented business, the company must maintain substantial inventory levels and settle payments through sight letters of credit, leading to shorter creditor days. These factors contributed to an increase in RMCL's operating cycle to 227 days in FY24, compared to 213 days in FY23 and 144 days in FY22. The extended cycle was primarily driven by a high inventory holding period of 145 days and a collection period of 84 days in FY24. The prolonged operating cycle and high working capital requirements may result in increasing dependency on bank financing, exposing the company to liquidity risks. Going forward, efficient working capital management and improvement in collections remains key rating sensitivity.

Exposure to raw material price volatility and foreign exchange risks

RMCL imports zinc ingot, Hot Rolled Coil (HR Coil), HR Slit, chemicals, and other auxiliary raw materials primarily from India, as well as other third countries. The prices of RMCL's raw materials are market-linked and determined periodically, exposing the company to price volatility, which affects its profitability margins. Raw material costs account for approximately 87% of the company's total operating income, meaning any price fluctuations significantly impact profitability. Additionally, the majority of RMCL's raw material requirements are met through imports, and these prices are linked to the USD, exposing the company to foreign exchange fluctuation risk. While RMCL hedges its position through Forward contracts, it recorded foreign exchange gains of NPR 2 Mn and NPR 1 Mn in FY24 and FY23, respectively. However, the company remains vulnerable to foreign exchange losses. The ability to pass on raw material price changes to finished products and effectively manage foreign exchange fluctuation risks will be key rating sensitivities.

Analytical Approach: Standalone

Applicable Criteria:

[Corporate Credit Rating Methodology](#)

[Issuer Rating Methodology](#)

About the Company:

Rajesh Metal Crafts Ltd. (RMCL) has been operating in Nepal's metal industry since 1992. Initially focused on producing tin containers, the company has expanded its product range to include over 17 types of metal products, such as pipes, sheets, shutters, and poles. RMCL has an annual production capacity of ~250,000 tons and runs a manufacturing facility in Jeetpur, Bara, with its corporate office in Kathmandu. The company is promoted by the RMC Group, with Mr. Rajesh Kumar Agrawal and Mr. Vishnu Prasad Agrawal as key shareholders.

Financial Indicators (Standalone)

For the year ended* As on	FY21	FY22	FY23	FY24	H1FY25
	Audited	Audited	Audited	Audited	Unaudited
Total Operating Income (NPR Mn)	7,563	8,560	4,455	4,073	2,630
EBITDA Margin (%)	25.80	13.62	7.96	6.17	6.12
Interest Coverage Ratio (x)	110.72	16.01	5.96	2.83	3.22
Total Outside Liabilities/Total Net Worth (x)	0.40	0.10	0.15	0.53	1.21
DSCR (x)	92.65	13.21	5.55	2.97	3.07
Overall Gearing Ratio (x)	0.31	0.03	0.08	0.41	0.96

Earnings before Interest Tax Depreciation Amortization (EBITDA)

**Classification as per Infomerics Nepal standards*

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About Infomerics Credit Rating Nepal Limited:

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