RAMKRISHNA FORGINGS LIMITED

Date: 8 May, 2025

To The Listing Department **BSE Limited** Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001 **BSE SCRIP CODE: 532527**	To The Listing Department **National Stock Exchange of India Limited** "Exchange Plaza" C-1, Block G, Bandra-Kurla Complex, Bandra (E), Mumbai- 400 051 **NSE SYMBOL: RKFORGE**

Dear Sir/Madam,

Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – ICRA Limited placed Company's Facilities on Rating Watch with Developing Implications

Pursuant to Regulation 30 read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR Regulations), please be informed that ICRA Limited has placed the Company's Facilities on Rating Watch with Developing Implications as per the details mentioned below:

Instrument Type	Rated Amount (Rs. in Crores)	Rating Action
Long term – Term loans	490.05	[ICRA]AA-; placed on rating watch with developing implications
Long term – Fund-based working capital	655.00	[ICRA]AA-; placed on rating watch with developing implications
Long term/ Short term – Fund-based working capital	55.00	[ICRA]AA- / [ICRA]A1+; placed on rating watch with developing implications
Short term - Non-fund based limits	330.00	[ICRA]A1+; placed on rating watch with developing implications
TOTAL	**1,530.05**	

Detailed Rationale of the Credit Ratings Action by ICRA Limited is enclosed.

We request you to take the afore-mentioned information on record and oblige.

Thanking You

Yours faithfully,
For Ramkrishna Forgings Limited

RAJESH MUNDHRA
Digitally signed by RAJESH MUNDHRA
Date: 2025.05.08 18:04:44 +05'30'

RAMKRISHNA FORGINGS LIMITED KOLKATA

Rajesh Mundhra
Company Secretary
& Compliance Officer
ACS: 12999

Enclosed: As above

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CIN NO. :L74210WB1981PLC034281

May 07, 2025

Ramkrishna Forgings Limited: Placed on Rating Watch with Developing Implications

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term – Term loans	490.05	490.05	[ICRA]AA-; placed on Rating Watch with Developing Implications
Long term – Fund-based working capital	655.00	655.00	[ICRA]AA-; placed on Rating Watch with Developing Implications
Long term/ Short term – Fund-based working capital	55.00	55.00	[ICRA]AA-; placed on Rating Watch with Developing Implications / [ICRA]A1+; placed on Rating Watch with Developing Implications
Short term - Non-fund based limits	330.00	330.00	[ICRA]A1+; placed on Rating Watch with Developing Implications
Total	**1,530.05**	**1,530.05**	

**Instrument details are provided in Annexure I*

Rationale

Material Event

On April 26, 2025, RKFL disclosed to stock exchanges about discrepancy found in its inventory. Discrepancy in the company's inventory was found during the process of annual physical verification of inventory, which commenced on April 6, 2025. The actual amount of inventory was found to be lower than the book value. Consequently, the company's Audit Committee, on April 26, 2025, approved the appointment of two independent external agencies to conduct a joint fact-funding study for the discrepancy in inventory and its reasons. Though the physical verification is continuing, the company internally estimates an adverse impact of 4-5% (Rs. 120-150 crore) of the net worth. After the outcome of the fact-finding study, the company would recognise the actual amount of discrepancy in the financial statement as a one-time impact. The company also mentioned that the inventory discrepancy found recently, in relation to FY2025, has occurred for the first time in its history, and the promoters intend to infuse funds to compensate for the discrepancy, to protect other stakeholders' interest, through any instrument permitted under applicable laws.

Impact of Material Event

The estimated impact of the inventory discrepancy (Rs. 120-150 crore) would result in moderation in the profit margin and debt coverage metrics of FY2025, to some extent, as the company is likely to recognise the amount of inventory discrepancy as a onetime impact in its FY2025 financials. However, the impact of the inventory discrepancy on RKFL's consolidated net profit is likely to be offset to some extent by a gain of Rs. 95 crore from the divestment of the erstwhile subsidiary, Globe All India Services Limited in Q2 FY2025. In addition, expected income tax benefits from merger of the subsidiary, ACIL Limited (which was acquired in FY2024 and has accumulated losses), with RKFL, for which the National Company Law Tribunal's (NCLT) approval was received in March 2025, are also likely to support the company's bottom line.

As the estimated amount of the inventory discrepancy is only 4-5% of the net worth, the capital structure will not be materially impacted. Besides, the company's utilisation of working capital limits remains considerably lower than its drawing power. Hence, reduction in drawing power due to the inventory discrepancy will not have any significant impact on the company's liquidity position. ICRA expects RKFL's consolidated total debt/OPBDITA to marginally increase beyond the negative trigger threshold of 1.5 times in FY2025, however, the same is likely to improve from FY2026 and remain at a comfortable level below the threshold, in the medium term. However, if the actual amount of inventory discrepancy is found to be materially higher than the initially estimated amount and the reason for such discrepancy, which is yet to be ascertained, implies lapse of governance and internal controls, or impacts RKFL's financial flexibility, the same may exert pressure on the ratings. ICRA will continue to monitor developments in this regard.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position, Rating sensitivities: Click here

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Auto components
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the consolidated financials of the company along with its subsidiaries and a joint venture (as mentioned in Annexure-II)

About the company

Incorporated in 1981, RKFL commenced operations in 1984 primarily as a forging manufacturer for the Indian Railways. Over the years, the company has evolved into one of the largest players in the auto component industry, mainly catering to the M&HCV segment. The company has two facilities located in and around Jamshedpur and another small unit near Kolkata. Its forging facility comprises hammer forge and up-setter forge with a total capacity of 70,350 tonnes per annum (tpa), which has increased by 14,250 tpa in March 2025, cold forging capacity of 25,000 tpa, which was commissioned in January 2025, ring-rolling unit with a capacity of 24,000 tpa and press lines of 1,49,050 tpa. RKFL also has fabrication and machining facilities.

In FY2024, RKFL acquired Multitech Auto Private Limited and its subsidiary Mal Metalliks Private Limited, Ramkrishna Casting Solutions Limited (renamed from JMT Auto Limited, which was acquired through NCLT) and ACIL Limited (acquired through NCLT). The acquired entities have facilities for manufacturing various automotive and engineering parts, which would augment RKFL's product portfolio and client base. The foreign subsidiary, Ramkrishna Forgings LLC, USA facilitates overseas sales. The company acquired another foreign subsidiary in Mexico, namely Ramkrishna Forgings Mexico S.A. de C.V., in August 2024. Ramkrishna Titagarh Rail Wheels Limited, a 51:49 joint venture between RKFL and Titagarh Rail Systems Limited, has been formed to manufacture railway wheels. RKFL sold its equity stake in the erstwhile subsidiary, Globe All India Services Limited, which provides travel related services, in August 2024. In March 2025, RKFL received the NCLT order for merger of its subsidiary, ACIL Limited, with itself.

Key financial indicators

RKFL Consolidated	FY2023	FY2024	9M FY2025*
Operating income	3192.9	3954.9	3.090.3
PAT	247.4	342.2	371.1
OPBDIT/OI	22.1%	21.3%	21.7%
PAT/OI	7.7%	8.7%	12.0%
Total outside liabilities/Tangible net worth (times)	1.8	1.0	-
Total debt/OPBDIT (times)	1.9	1.4	-
Interest coverage (times)	5.8	5.5	5.7

*Source: Company, ICRA Research; *Unaudited; All ratios as per ICRA's calculations; Amount in Rs. crore*
PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation