Rajasthan Cylinders & Containers Limited

October 01, 2021

Rating

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	-	-	Revised to CARE B-; Stable (Single B Minus; Outlook: Stable) from CARE B; Stable (Single B; Outlook: Stable) and Withdrawn
Total Bank Facilities	**0.00**		

Details of facilities in Annexure-1

Detailed Rationale, Key Rating Drivers

CARE has revised the outstanding rating assigned to the bank facilities of Rajasthan Cylinders & Containers Limited (RCCL)from 'CARE B; Stable (CARE Single B; Outlook: Stable)' to 'CARE B-; Stable (CARE Single B minus; Outlook: Stable) and withdrawn it with immediate effect. The above action has been taken at the request of RCCL and 'No Objection E-mail' received from the bank that has extended the facilities rated by CARE.

The ratings continue to remain constrained on account of its small scale of operations with continuing operating, net and cash losses in FY21 (refers to period from April 01 to March 31),moderate capital structure, weak debt coverage indicators and poor liquidity. The rating is further constrained due to susceptibility of margins to volatility in raw material prices and highly competitive industry coupled with higher business risk associated with tender based business.

The rating, however, continues to derive comfort from experienced promoter with long track record, diversified revenue profile, reputed albeit concentrated clientele base with moderate order book.

Detailed description of the key rating drivers

Key Rating Weaknesses

Decline in total operating income in FY21

Total Operating Income (TOI) of the company declined to Rs.15.86 crore in FY21 from Rs.21.29 crore in FY20. Further, during Q1FY22, TOI of RCCL declined by 45% on q-o-q and 37% on y-o-y basis. RCCL's revenues are primarily derived from the supply of LPG cylinders to the public sector oil marketing companies (OMC). RCCL faces stiff competition from other established players in terms of bidding. Further limited number of buyers coupled with lower bargaining power also puts pressure on profitability of the company. As the major business of the company is through the tender-based system, therefore, the growth of the business depends on its ability to successfully bid for the tenders and emerge as the lowest bidder. Furthermore, any changes in the OMC's policy towards procurement are likely to affect the revenues of the company.

Operating & cash losses reported during the last three years ended FY21 and susceptibility of margins to volatility in raw material prices

Owing to tender driven nature of operations characterized by fixed mark-ups and lower bargaining power, the profitability of the company remained thin. With the decline in TOI and high fixed costs, the company has reported net loss of Rs. 4.36 crore (PY: Rs.3.51 crore) and cash loss of Rs.5.24 crore (PY: Rs.4.47 crore) in FY21. The company has incurred net loss of Rs.0.52 crore in Q1FY22 against net loss of Rs.1.62 crore in Q4FY21 and Rs. 0.57 crore in Q1FY21. The profitability margins fluctuate on account of volatility in raw material prices, which is mainly Hot Rolled (HR) Coils of LPG grade steel and brass rods for manufacturing of valves. Furthermore raw material cost accounts for nearly 65-70% of total cost of sales and prices of raw material are inherently volatile therefore any adverse fluctuation in the price movement would impact the profitability as RCCL is able to pass on the price change to customers to a certain extent mainly due to price escalation clause (for foils/sheets only) in the tenders.

Moderate capital structure and weak debt coverage indicators

The debt coverage indicators remained weak due to operating as well as cash losses in FY21. The capital structure of RCCL deteriorated marked by an overall gearing of 1.65 times as on March 31, 2021 from 1.06 times as on March 31, 2020 on account of erosion of in net-worth due to net loss incurred in FY21.

Liquidity: Poor

Liquidity position of the company remained poor marked by cash losses incurred in FY21. The company resorted to unsecured loans from promoters to fund its losses and for debt servicing. Further, the sanctioned working capital limits of Rs.6. crore is converted into term loan of Rs. 3.50 crore and overdraft facility of Rs.2.50 crore during March 2021, which is to be repaid by March 2022.

[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

Key Rating Strengths
Experienced promoters and established track record of operations
RCCL was promoted by Mr. S. G. Bajoria, who has extensive experience of more than 4 decades in various business activities. He was one of the founder promoter and chairman of RCCL. Currently, his son, Mr. Ashutosh Bajoria, is the managing director & chairperson of RCCL. He has an experience of more than 25 years and is at the helm of overall operations of the company. The promoters provide support to the company in the form of unsecured loans from time to time, as and when required.

Diversified revenue profile and reputed customer base
RCCL has diversified revenue profile including manufacturing of gas cylinders, LPG valves and refilling of LPG gas in cylinders. RCCL conducts LPG bottling for third party on job work basis. However, RCCL's revenues are primarily derived from the supply of LPG cylinders to the public sector oil marketing companies (OMC) like include Indian Oil Corporation Limited, Bharat Petroleum Corporation Limited and Hindustan Petroleum Corporation Limited.
As on October 2020, RCCL had an order book amounting to Rs.40.12 crore. Garnering new orders would be crucial from the point of view of medium to long term revenue visibility.

Analytical Approach: Standalone

Applicable Criteria:
Policy on Withdrawal of ratings
Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings
CARE's Policy on Default Recognition
Rating Methodology-Manufacturing Companies
Financial ratios – Non- Financial Sector
Liquidity Analysis of Non-Financial Sector Entities

About the company
Incorporated in December 1980 by Jaipur-based Bajoria group, Rajasthan Cylinders & Containers Limited (RCCL) is promoted by Mr. S. G. Bajoria along with his family members. The company is listed on BSE and is engaged in manufacturing of LPG cylinders, valves, regulators and filling of LPG gas. The company mainly supplies its products to public sector oil marketing companies. Other entities of the group are engaged in manufacturing of Extra Neutral Alcohol (ENA), Rectified Spirit (RS) and Country Liquor (CL), investment in shares, Trading of Jute & Jute Products through other group entities which mainly include Agribiotech Industries Limited and Beekay Niryat Limited (BNL; listed on BSE) and Rigmadrirappa Investment Private Limited.

Brief Financials (Rs. crore)	FY20 (Aud.)	FY21 (Aud.)
Total operating income	21.19	15.86
PBILDT	-3.16	-3.22
PAT	-3.51	-4.36
Overall gearing (times)	1.06	1.65
Interest coverage (times)	-2.38	-1.88

A: Audited

In Q1FY22, RCCL has reported net sales of Rs.2.55 crore and incurred loss of Rs.0.52 crore respectively.

Status of non-cooperation with previous CRA: CRISIL has reviewed the assigned ratings to RCCL under 'Non Cooperation' category vide its press release dated February 27, 2021 as the client has not provided the requisite information to conduct the rating exercise.

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	NA	NA	NA	NA	0.00	Withdrawn

**NA: Not Applicable*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE B; Stable (22-Dec-20)	1)CARE B; Stable (27-Jan-20)	1)CARE B+; Stable (19-Mar-19)

Annexure 3: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

Contact us

Media Contact
Mradul Mishra
Contact no. - +91-22-6837 4424
Email ID - mradul.mishra@careratings.com

Analyst Contact
Mr. Ujjwal Patel
Contact no. +91- 79-4026 5649
Email ID – ujjwal.patel@careratings.com

Relationship contact
Mr. Deepak Prajapati
Contact no. +91-79-4026 5656
Email ID - deepak.prajapati@careratings.com

About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**