

Remi Process Plant & Machinery Limited

October 06, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	5.00	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	7.26 (Reduced from 8.76)	CARE A3 (A Three)	Reaffirmed
Total Facilities	12.26 (Rs. Twelve Crore and Twenty-Six Lakhs Only)		

Details of instruments/facilities in Annexure I

Detailed Rationale & Key Rating Drivers

The reaffirmation of the ratings assigned to the bank facilities of Remi Process Plant & Machinery Limited (RPPML) derives strength from the long-standing track record of the company, extensive experience of the promoters in designing and manufacturing industrial agitators, coupled with well-established clientele base from diverse sectors and comfortable financial risk profile of RPPML.

The rating strengths are, however, tempered by RPPML's relatively small scale of operations, competitive nature of the industry and profit margins remain susceptible to fluctuations in the raw material prices.

Key Rating Sensitivities

Positive Factors

- Substantial and sustainable increase in revenue to around Rs.100 crore coupled with operating profitability margin being maintained at around 15% or above

Negative Factors

- Increase in the operating cycle beyond 150 days on a continued basis
- Steep decline in revenue or operating profitability margin going below 8% in each fiscal
- Any large debt funded capex resulting in substantial deterioration in the financial risk profile

Detailed description of the key rating drivers

Key rating Strengths

Long-standing track record of the company along with experienced promoters: RPPML was incorporated in 1974 and is in the business of designing and manufacturing industrial agitators for over four decades. The company is part of the Remi group, started by Mr C.K. Saraf and is currently managed by his sons Mr V. C. Saraf (Chairman) and Mr R. C. Saraf (Managing Director), who have healthy experience of over three decades in the engineering sector. Their strong understanding of market dynamics and healthy relationships with suppliers and customers is expected to continue to support the business. Besides, the promoters are well assisted by a competent and experienced management team.

Presence in diverse sectors with well-established clientele base: The company is in the business of designing and manufacturing of industrial agitators and has its customer base in various industries such as refineries, petrochemicals, fertilizer, mineral ore processing, pharmaceuticals, paper chemicals, alkali chemicals, specialty chemicals, paint, breweries, food, dairy and water treatment plants. Thus, the company serves to a diverse set of customer base belonging to different industries and mitigates the risk of being exposed to any industry. RPPML's top customers include well-established and reputed clientele base with good credit profile, thereby mitigating counter party credit risk to some extent. However, there is moderate customer concentration risk with top ten customers contributing around 62% to the net sales in FY21 as compared with contribution of 66% to the net sales in FY20. Nevertheless, the concentration risk is steadily reducing as the company is constantly adding more clients in the portfolio.

Comfortable financial risk profile: The company does not have any long-term debt and repayment obligations. Overall gearing stood lower at 0.02x as on March 31, 2021 (vis-à-vis nil as on March 31, 2020). PBILDT interest coverage though declined from 3.11x in FY20 to 2.64x for FY21 owing to marginal increase in interest cost. Total outside liabilities to Tangible network (i.e. TOL/TNW) ratio was below unity as on March 31, 2021. Besides, debt coverage indicators like Total debt to gross cash accruals

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

also remained lower at 0.21x as on March 31 2021. The company's capital structure is expected to remain comfortable as the company is not planning to undertake any debt funded capex in the near to medium term.

Key rating Weaknesses

Small scale of operations: RPPML registered operating income of Rs.25.58 crore in FY21 as compared with to Rs.27.91 crore in FY20. The company has presence in the industry for more than four decades; however the net worth remains modest at Rs.23.30 crore as on March 31, 2021. With limited product offerings and small scale of operations, RPPML is classified as a relatively small-sized entity. The company is not planning any major capex in the near future. RPPML also faces intense competition from other small and unorganized players.

Susceptible to volatility in forex rates and raw material prices: The major raw materials used for manufacturing of agitators are various grades of steel which together forms about 40% of the total cost of raw material consumption. Steel prices are dependent on demand and supply scenario in the markets and prices inherently remain volatile, posing a risk to stability of profitability margins. The PBILDT margins remain healthy at 14.49% in FY21 as compared with 14.44% in FY20. In FY21, the company imported around 6% of its total raw material requirement. The company also exports, although exports sales are very less. In absence of any hedging policy, volatility in forex rates may have adverse effect on the company's profitability.

Working capital intensive nature of operations: The working capital cycle of the company stood at 114 days for FY21 as compared with 101 days for FY20. The elongation in the operating cycle was owing to increase in inventory holding period from 79 days in FY20 to 97 days in FY21. This is owing to higher base in FY20 and averaging effect. However, collection period improved from 51 days in FY20 to 42 days in FY21 while creditors period has reduced from 30 days in FY20 to 25 days in FY21. Despite this, working capital utilization limits however remained low since company uses its cash accruals and advances from customers to fund its working capital requirements. Average working capital utilization during the last twelve months ending August, 31 2021 was only around 1%.

Liquidity Position: Adequate – RPPML has a low average working capital utilization of 0.78% for twelve months ending on August 31 2021 against the fund-based sanctioned limit of Rs. 5 crore. Its unutilized limits enables the company to meet any incremental working capital requirements. The company does not have any repayment obligations and has a low gearing of 0.02x as on March 31, 2021. This gives enough gearing headroom for the company to raise debt, if required. Besides, the company has liquid investments of around Rs.13.00 crore in mutual funds as on September 28, 2021.

Analytical approach: Standalone

Applicable Criteria

[Rating Outlook and Credit Watch](#)

[Policy on default recognition](#)

[Financial Ratios – Non-financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Manufacturing Companies](#)

[Short Term Instruments](#)

About the Company

RPPML is part of the REMI Group having various business segments is engaged in designing, manufacturing, testing and supplying range of portable, custom-built industrial agitators for the purpose of mixing liquid-liquid, liquid-solid and liquid-gas substances. These agitators are deployed across various process industries like Refineries, Petrochemicals, Fertilizer, Mineral Ore Processing, Pharmaceuticals, Paper Chemicals, Alkali Chemicals, Speciality Chemicals, Paint, Breweries, Food, Dairy, Effluent and Water Treatment Plants. The key raw materials for the manufacturing of agitators are various grades of steel and other alloy products. RPPML has developed in-house software packages for supporting mechanical designs of agitators in sync with certain parameters like bending, torque, speed, etc. Besides, RPPML also operates a windmill of 0.75 MW at Dhule District, Maharashtra. The company has also installed a solar power system of 175 KW for captive use.

Brief Financials (Rs. crore)	s	31-03-2021 (A)
Total operating income	27.91	25.58
PBILDT	4.03	3.71
PAT	2.39	1.78
Overall gearing (times)	0.00	0.02
Interest coverage (times)	3.11	2.64

A: Audited

Current year performance: During 5MFY22 (refers to the period April 01, 2021 to September 28, 2021), RPPML has achieved sales of around Rs.10.00 crore.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Disclosure of Interest of Independent/Non-Executive Directors of CARE: Not Applicable

Disclosure of Interest of Managing Director & CEO: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

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		-	-	-	5.00	CARE BBB-; Stable
Non-fund-based - ST-BG/LC		-	-	-	7.26	CARE A3

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	5.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (25-Jan-21)	1)CARE BBB-; Stable (24-Dec-19)	1)CARE BBB-; Stable (07-Jan-19)
2	Non-fund-based - ST-BG/LC	ST	7.26	CARE A3	-	1)CARE A3 (25-Jan-21)	1)CARE A3 (24-Dec-19)	1)CARE A3 (07-Jan-19)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities

Working Capital Bank Facilities	Detailed Explanation
A. Financial Covenants	
i. Penal interest will be charged in case of breach of any two of four parameters	DSCR – 1.20x Interest Coverage Ratio – 2.00x FACR – 1.25x Debt/EBITA – 4.50x Current Ratio – 1.00x
ii. Penal interest chargeable on following events, at rates applicable from time to time, over and above the normal interest applicable in the account	For the period of overdue interest/instalment in respect of term loan and overdrawing's above the drawing power limit in fund based working capital account on account of interest/devolvement of LC/BG, insufficient stocks and receivables etc.
B. Non-Financial Covenants	
i. Pledging of shares	Promoters shares in the borrowing entity should not be pledged to any bank/NBFC without prior consent.
ii. Event of default	In the event of default or where signs of inherent weakness are apparent, the bank shall have the rights to securitise the assets charged and in the event of such securitization, the bank will suitably inform the borrower and guarantor.

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-BG/LC	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

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

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