

RMC Switch Gears Limited

October 20, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Rating Action
Long Term Bank Facilities	16.75	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB; Negative; (Double B; Outlook: Negative)
Short Term Bank Facilities	30.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Total	46.75 (Rs. Forty-Six Crore and Seventy-Five Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated September 21, 2020, placed the rating(s) of RMC Switch Gears Ltd. (RMC) under the 'issuer non-cooperating' category as RMC had failed to provide information for monitoring of the rating as agreed to in its Rating Agreement. RMC continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and emails dated August 17, 2021, September 15, 2021, October 11, 2021 and October 12, 2021. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings have been revised on account of continuous decline in the scale of operations along with deterioration in liquidity position during FY21.

Detailed description of the key rating drivers

The ratings assigned to the bank facilities of RMC are revised on account of declining scale of operations, moderate profitability margins, moderate capital structure as well as weak debt coverage indicators during FY21 (FY refers to April 01 to March 31). The ratings further continued to remain constrained on account of presence in the highly competitive and fragmented industry with vulnerability of margins to fluctuation in the raw material prices.

The ratings, however, continue to derive strength from long experience of the management as well as its long track record of operations in the manufacturing of electrical equipment and established presence with customers all over India.

Detailed description of key rating drivers

Key Rating Weaknesses

Declining scale of operations

The scale of operations of RMC as marked by Total Operating Income (TOI) declined over FY20 however continued to remain moderate at Rs.37.01 crore during FY21 as against Rs.59.70 crore during FY20.

Moderate profitability margins

During FY21 the profitability position of RMC improved however continued to remain moderate as marked by PBILDT margin at 18.08% during FY21 as against 13.91% during FY20, mainly due to decrease in stores and spares consumption during FY21. Consequently, PAT margin remained at 1.22% during FY21 as against 0.50% during FY20.

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

*Issuer did not cooperate; Based on best available information

Moderate capital structure

The capital structure of the entity continued to remain moderate as marked by an overall gearing ratio of 1.44 times as on March 31, 2021 as against 1.14 times as on March 31, 2020.

Weak debt coverage indicators

The debt coverage indicators of the company continued to remain weak as marked by total debt to GCA (TDGCA) of 14.18 years as on March 31, 2021 as against 14.35 years as on March 31, 2020. Interest coverage ratio of the company improved and remained at 1.63 times during FY21 as against 1.54 times during FY20.

Presence in highly competitive industry with vulnerability of margins to fluctuation in raw material prices

RMC's presence in the highly fragmented Electric Equipment industry with presence of a few numbers of organized and large numbers of unorganized players coupled with the tender driven nature of business poses huge competition and puts pressure on the profitability margins of the players. Further, the main raw material of the company is MS sheets, copper sheets and PV resins and the prices of these raw materials are governed by demand-supply dynamics and had shown huge fluctuations in past few years.

Key Rating Strengths

Experienced management with long track record of operations results in established relationship with customers all over India

RMC was incorporated in the year 1993 and hence, has a track record of more than two decades. Mr. Ashok Agrawal, Managing Director, has more than two decades of experience in this industry and looks after overall affairs of the company. He is assisted by his son, Mr. Ankit Agrawal, director, who also has more than eight years of experience in this industry and looks after sales and marketing functions of the firm. With the long-standing presence of the promoters in the industry, the promoters have established good clientele base in the industry which majorly includes State Electricity Boards (SEB's) present all over India.

Analytical Approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[CARE's Policy on Default Recognition](#)

[Financial Ratios – Non financial Sector](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

About the Company

Jaipur (Rajasthan) based RMC Switchgears Limited (RMC) was originally established as a private limited company in 1993 by Mr. Ashok Agrawal under the name of Rajasthan Fitting House Private Limited for carrying out trading and manufacturing of copper and zinc based hardware fittings. Later, in 2004, it was reconstituted into public limited company and assumed its current name, RMC. Since 1993, the company has expanded its business from hardware fittings to the present business of manufacturing of board panel cabinets (equipped and un-equipped), aluminium channels for solar, single and three phases meter boxes for transmission, distribution boxes made up of metal (fabrication and deep drawn) and Sheet Moulded Compound (SMC) with or without installing of aggregated kits, Poly Vinyl Chloride (PVC) based decorative sheets and blocks and executes electrical contracts on turnkey basis. The company also sells aggregated kits which include bus bars, porcelain insulators and switchgears and other supporting equipment's. The company has its owned manufacturing facilities located at Badodiya Village, Chaksu- Tehsil. The plant of the company is certified with International Organization for Standardization (ISO) and also follows quality management system (QMS) like KAIZEN, TBM and 5- SIGMA for optimum utilization of resources with better time and quality management. Further, it sells PVC sheets under brand name of 'Lamina'.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)
Total operating income	59.70	37.01
PBILDT	8.30	6.69
PAT	0.30	0.45
Overall gearing (times)	1.14	1.44
Interest coverage (times)	1.54	1.63

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Covenants of rated instrument / facility: Please refer Annexure-3

Complexity level of various instruments rated for this company: Please refer 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		-	-	-	14.00	CARE BB-; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantees		-	-	-	27.00	CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - ST-Letter of credit		-	-	-	3.00	CARE A4; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	-	2.75	CARE BB-; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

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-Term Loan	LT	-	-	-	-	-	1)Withdrawn (26-Jul-18)2)CARE BB; Stable; ISSUER NOT COOPERATING * (03-Apr-18)
2	Fund-based - LT-Cash Credit	LT	14.00	CARE BB-; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB; Negative; ISSUER NOT COOPERATING * (21-Sep-20)	1)CARE BB+; Negative (22-Nov-19)2)CARE BB+; Stable (04-Sep-19)3)CARE BB+; Stable (03-Apr-19)	1)CARE BB+; Stable (26-Jul-18)2)CARE BB; Stable; ISSUER NOT COOPERATING * (03-Apr-18)
3	Non-fund-based - ST-Bank Guarantees	ST	27.00	CARE A4; ISSUER NOT COOPERATING *	-	1)CARE A4; ISSUER NOT COOPERATING * (21-Sep-20)	1)CARE A4+ (22-Nov-19)2)CAR	1)CARE A4+ (26-Jul-18)2)CARE A4; ISSUER NOT

							E A4+ (04-Sep-19)3)CAR E A4+ (03-Apr-19)	COOPERATING * (03-Apr-18)
4	Non-fund-based - ST-Letter of credit	ST	3.00	CARE A4; ISSUER NOT COOPERATING *	-	1)CARE A4; ISSUER NOT COOPERATING * (21-Sep-20)	1)CARE A4+ (22-Nov-19)2)CAR E A4+ (04-Sep-19)3)CAR E A4+ (03-Apr-19)	1)CARE A4+ (26-Jul-18)2)CARE A4; ISSUER NOT COOPERATING * (03-Apr-18)
5	Fund-based - LT-Term Loan	LT	2.75	CARE BB-; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB; Negative; ISSUER NOT COOPERATING * (21-Sep-20)	1)CARE BB+; Negative (22-Nov-19)2)CAR E BB+; Stable (04-Sep-19)3)CAR E BB+; Stable (03-Apr-19)	1)CARE BB+; Stable (26-Jul-18)

*Issuer did not cooperate; Based on best available information

Annexure 3: Covenants of rated instrument/facility: Not Applicable

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	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-Bank Guarantees	Simple
4	Non-fund-based - ST-Letter of credit	Simple

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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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over nearly 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.

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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