

Remi Process Plant & Machinery Limited

January 25, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	5.00	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	8.76 (Enhanced from 7.25)	CARE A3 (A Three)	Reaffirmed
Total Bank Facilities	13.76 (Rs. Thirteen Crore and Seventy-Six Lakhs Only)		

Details of facilities as per Annexure-1
Detailed Rationale & Key Rating Drivers

The reaffirmation of ratings assigned to the bank facilities of **Remi Process Plant & Machinery Limited (RPPML)** drives strength from experienced promoters and management team, reputed clientele with good credit profile from diverse sectors, comfortable financial risk profile along with long standing track record of the company.

The rating strengths are, however, tempered by the relatively small scale of operations, competitive nature of the industry and susceptibility to profitability margins on account of fluctuations in raw material prices.

Rating sensitivities-
Positive Factors

- Increase in the scale of operations, while maintaining PBDIT margin above 15% on a sustained basis.

Negative Factors

- Increase in operating cycle beyond 150 days on a continued basis.
- Decline in PBILDT Margin below 8% on a sustained basis, resulting from competition or fluctuation in raw material prices.

Detailed description of the key rating drivers
Key Rating Strengths
Long standing track record of the company along with experienced promoters and management team

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 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 experience of over three decades in the engineering sector. The promoters are well assisted by competent management team.

Comfortable financial risk profile and liquidity position

Company does not have any long term debt and repayment obligations. The overall gearing stood at 0.01x as on September 2020 against 0.03x as on March 31, 2019. RPPML's average working capital utilization for past twelve years ending August 2020 is also low at 1.49% against the sanctioned fund based limit of Rs.5 crore. Company had liquid investments of Rs.8.82 crores (as on March 31, 2020) and 6.82 crores (as on September 30, 2020) in mutual funds, which provides ample liquidity. PBILDT interest coverage improved to 3.11x for FY20 as compared to 2.89x for FY19. Further, the company is not planning to raise any debt in the near future.

Presence in diverse sectors with reputed clientele

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 is sufficiently insulated from slowdown in any particular industry. RPPML's top customers include reputed clientele with good credit profile, mitigating counter party risk to some extent. However, there is customer concentration risk with top 10 customers contributing around 66% to the net sales in FY20 as compared to contribution of 72% to the net sales in FY19.

Key Rating Weaknesses
Small size operations with intense competition in the industry

RPPML registered operating income of Rs.27.91 crore in FY20 as compared to Rs.19.67 crore in FY19. Company has presence in the industry for more than four decades yet the net worth remains modest at Rs.21.34 crore as on March 31, 2020. With limited product offerings and small scale of operations, RPPML is classified as a relatively small sized entity. 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 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. PBILDT margins although declined, remain comfortable at 14.44% in FY20 as compared to 17.06% in FY19. Decline in PBILDT margins is on account of increase in raw material cost. PBILDT margins for H1FY20 is 11.03% as compared to 13.93% in H1FY20. In FY20, company imported around 6% of its total raw material requirement. Company also exports, although exports sales are very less. In absence of any hedging policy, volatility in forex rates might have adverse effect on company's profitability.

Working capital intensive nature of operations however operating cycle has improved

The working capital cycle of the company stood at 101 days for FY20 as compared to 128 days for FY19. Improvement in operating cycle was due to decrease in collection period to 51 days for FY20 from 103 days for FY19. Improvement in collection period is mainly on account of lockdown in March 2020, as company mostly does credit sales in the month of March which significantly contributes to its collection period. Inventory holding period remained around similar level at 79 days in FY20 as compared to 78 days in FY19. However, there has also been decrease in creditor days to 30 days in FY20 from 53 days in FY19. Working capital utilization however remained low since company uses its cash accruals to fund its working capital requirements. Average working capital utilization during the last 12 months ending August, 2020 was around 2%.

Liquidity Position: Adequate

RPPML has a low average working capital utilization of 1.49% for twelve months ending on August 2020 against the fund based sanctioned limit of Rs. 5 Crore. Its unutilized limits enables the company to meet any incremental working capital requirements. Company does not have any repayment obligations and has a low gearing of 0.01x as on September 2020. This gives enough gearing headroom for the company to raise debt, if required. Company has liquid investments of Rs.6.82 Crores in mutual funds as on September 30, 2020.

Analytical approach: Standalone.

Applicable Criteria

[Criteria on assigning 'Outlook' and 'credit watch' to Credit Ratings](#)

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

[Criteria for Short Term Instruments](#)

[Rating Methodology-Manufacturing Companies](#)

[Financial ratios – Non-Financial Sector](#)

[Liquidity analysis for non-financial sector](#)

About the Company

RPPML is a part of Remi group and 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. RPPML is having 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)	FY19(A)	FY20(A)
Total operating income	19.67	27.91
PBILDT	3.36	4.03
PAT	1.81	2.39
Overall gearing (times)	0.03	0.00
Interest coverage (times)	2.89	3.11

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	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	-	-	-	8.76	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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	5.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (24-Dec-19)	1)CARE BBB-; Stable (07-Jan-19)	1)CARE BBB-; Negative (05-Jan-18) 2)CARE BBB-; Negative (07-Apr-17)
2.	Non-fund-based - ST-BG/LC	ST	8.76	CARE A3	-	1)CARE A3 (24-Dec-19)	1)CARE A3 (07-Jan-19)	1)CARE A3 (05-Jan-18) 2)CARE A3 (07-Apr-17)

Annexure-3: Complexity level of instruments

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

Annexure-4: Detailed explanation of covenants of the rated instrument / facilities: NA

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.

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