

RMC Switch Gears Limited
 September 21, 2020

Ratings

Facilities / Instruments	Amount (Rs. crore)	Ratings ¹	Rating Action
Long Term Bank Facilities	16.75	CARE BB; Negative; ISSUER NOT COOPERATING* (Double B; Outlook: Negative ISSUER NOT COOPERATING*)	Issuer not cooperating; Revised from CARE BB+; Negative (Double B Plus; Outlook: Negative) on the basis of best available information
Short Term Bank Facilities	30.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Issuer not cooperating; Revised from CARE A4+ (A Four Plus) on the basis of best available information
Total Facilities	46.75 (Rs. Forty-Six Core and Seventy-Five Lakhs Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from RMC Switch Gears Limited (RMC) to monitor the rating(s) vide e-mail communications dated July 31, August 21, August 25, August 27 and letter dated September 12, 2020 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. 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. The rating of RMC's bank facilities will now be denoted as **CARE BB; Negative /CARE A4; ISSUER NOT COOPERATING***.

Outlook: Negative

The outlook of RMC continues to remain 'Negative' on account of expected decline in Total Operating Income (TOI) and further, expected deterioration in liquidity position. The outlook, however, may be revised to 'Stable' in the event of increase in scale of operation with maintaining of profitability margin and maintaining of liquidity position.

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 revision in the ratings of RMC mainly takes into account significant decline in Total Operating Income (TOI) and deterioration of liquidity position.

The ratings, further, constrained on account of low order book position and weak debt coverage indicators. The ratings are, further, continue to remain constrained on account of moderate profitability margins, moderate capital structure, its presence in the highly competitive and fragmented industry with vulnerability of margins to fluctuation in the raw material prices.

The ratings, however, continue to favorably take into account the 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 the key rating drivers

At the time of last rating on November 20, 2019 the following were the rating strengths and weaknesses. (Updated for the part information available from client).

¹Complete 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

Key Rating Weaknesses***Significant decline in TOI in FY20 along with low order book position***

During FY20, the company has registered Total Operating Income (TOI) of Rs.59.70 crore, declined by 54.96% over FY19 owing to low order book position. Further, as on July 30, 2020, the company has order book position of around Rs.35 crore which is to be executed by the end of November 2020.

Moderate profitability margins and solvency position

It has registered PBILD and PAT margin of 13.91% and 0.50% respectively in FY20 as against 10.28% and 2.87% respectively in FY19. Further with decline in TOI level, GCA level has also significantly declined by 53.93% over FY19 and it stood at Rs.2.93 crore in FY20.

Moderate capital structure and deterioration in debt coverage indicators

Capital structure of the company remained in line as compared to previous year and stood moderate marked by overall gearing of 1.14 times as on March 31, 2020 as against 1.13 times as on March 31, 2019.

Owing to significant deterioration in TOI, debt coverage indicators has also deteriorated marked by deterioration in total debt to GCA from 5.63 times as on March 31, 2018 to 12.19 times as on March 31, 2020. Further, interest coverage has also deteriorated from 2.14 times in FY19 to 1.54 times in FY20.

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

RMC's presence in the highly fragmented 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.

Liquidity Stretched

Since the company mainly supplies its product to SEBs where it get delayed payment from customers and hence collection period stood high which also led to more than 90% average utilization of working capital limit in last twelve month ended July 2020. Operating cycle has also increased from 70 days in FY19 to 149 days in FY20 mainly on account of increase in collection days however which was offset by increase in creditor's days. Liquidity ratio also remained in line as compared to previous year and stood moderate marked by current ratio and quick ratio of 1.45 times and 1.21 times respectively as on March 31, 2020. Further, cash and cash equivalent remained low at Rs.0.03 crore as on March 31, 2020. Further, the company has availed moratorium facility for principal repayment of its term loan and interest on Cash Credit account from March 2020 to August 2020

Analytical approach: Standalone**Applicable Criteria**

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

[Criteria on assigning 'outlook' and 'credit watch' to credit ratings](#)

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

[Criteria for Short Term Instrument](#)

[Rating Methodology – Manufacturing Company](#)

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

About the Company

Jaipur (Rajasthan) based 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 Molded Compound (SMC) with or without installing of aggregated kits. 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.

Brief Financials (Rs. crore)	31-03-2019	31-03-2020
	A	A
Total operating income	132.55	59.70
PBILDT	13.63	8.30
PAT	3.80	0.30
Overall gearing (times)	1.13	1.14
Interest coverage (times)	2.14	1.54

A:Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating History for last three years: 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	-	-	-	14.00	CARE BB; Negative; 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	-	-	April 2024	2.75	CARE BB; Negative; ISSUER NOT COOPERATING*

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-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; Negative; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (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+ (22-Nov-19) 2)CARE A4+ (04-Sep-19) 3)CARE A4+ (03-Apr-19)	1)CARE A4+ (26-Jul-18) 2)CARE A4; ISSUER NOT COOPERATING* (03-Apr-18)	-
4.	Non-fund-based - ST-Letter of credit	ST	3.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4+ (22-Nov-19) 2)CARE A4+ (04-Sep-19) 3)CARE 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; Negative; ISSUER	-	1)CARE BB+;	1)CARE BB+; Stable	-

				NOT COOPERATING*		Negative (22-Nov-19) 2)CARE BB+; Stable (04-Sep-19) 3)CARE BB+; Stable (03-Apr-19)	(26-Jul-18)	
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Annexure 3: Complexity level of various instruments rated for this Trust

Sr. No.	Name of the 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. 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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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.

Disclaimer

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