

Remi Process Plant and Machinery Limited

December 24, 2019

Ratings

Facilities	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	7.25	CARE A3 (A Three)	Reaffirmed
Total	12.25 (Rs. Twelve crore and twenty lakh only)		

Details of Instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of ratings assigned to the bank facilities of **Remi Process Plant Machinery Limited (RPPML)** takes into account the experience of promoters and management, reputed clientele, comfortable financial risk profile along with the presence of customers in well diversified industries.

The rating strengths are, however, tempered by the relatively small scale of operations, competitive nature of the industry and susceptibility to fluctuation to raw material prices also pose a risk to stable profit margins.

Rating sensitivities-

Positive Factors

- Increase in the scale of operations, while maintaining PBDIT margin above 15% on a sustained basis.
- Improvement in operating cycle by 50 days on a sustained basis by reducing collection period coupled with better inventory management.

Negative Factors

- Increase in overall gearing beyond 1.0 times on a sustainable basis, on account of any new capital expenditure or higher working capital borrowing.
- Decline in PBILDT Margin below 8% on a sustained basis, resulting from competition.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters and management team

RPPML is in the business of designing and manufacturing of agitators for over four decades. The company is a 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 experience of over three decades in the engineering sector.

Comfortable financial risk profile

The overall gearing of RPPM stood comfortably at 0.03x as on March 31, 2019. RPPML's average working capital utilization for past twelve years ending on September 30, 2019 is also very low at 1.86%. Total debt to GCA is also comfortable at 0.24X in FY19. Further, the company is not planning to raise any debt in near future.

Presence in diverse sectors with reputed clientele

The company is in the business of agitators and has its customer base in various industries like Refineries, Petrochemicals, Fertilizer, Mineral Ore Processing, Pharmaceuticals, Paper Chemicals, Alkali Chemicals, Specialty Chemicals, Paint, Breweries, Food, Dairy, Effluent 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 72% to the net sales.

Key Rating Weaknesses

Small size operations with intense competition in the industry

RPPML has operating income of Rs.19.67 crore in FY19 and net worth of Rs.20.40 crores as on March 30, 2019. With limited product offerings and small scale of operations, RPPML is classified as a relatively small sized entity. Being in business for more than four decades, the business continues to be small in scale with no major capex planned in the near future. RPPML also faces intense competition from other small and unorganized players.

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

Susceptible to volatility in forex rates

The major raw materials used for manufacturing of agitators are various grades of steel. In FY19, company imported around 14% of its total requirement of raw materials. Company also exports, although exports sales are very less, approximately 5% of gross sales. In absence of any hedging policy, volatility in forex rates might adversely impact company's steady level of profitability.

Working capital intensive nature of operations

The working capital cycle of the company stood at 128 days in FY19. Company's collection period in FY19 was 103 days (more than 3 months). Inventory holding period is 78 days, while creditor's days are 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 for period ending September 30, 2019 was around 2%.

Liquidity Position: Adequate

RPPML has a low average working capital utilization of 1.86% for 12 months ending September 2019. Its unutilized limits enable the company to meet any incremental working capital requirements. Also, the company has a low gearing of 0.03x as on March 31, 2019. This gives enough gearing headroom for the company to raise debt, if required.

Company has liquid investments of Rs.21.49 crore in mutual funds as on September 30, 2019. The company does not have any repayment obligation, which further solidifies its liquidity position.

Analytical approach: Standalone.

Applicable Criteria

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

[Criteria for Short Term Instruments](#)

[Rating Methodology-Manufacturing Companies](#)

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

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

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)	FY18 (A)	FY19(A)
Total operating income	21.75	19.67
PBILDIT	3.15	3.36
PAT	1.59	1.81
Overall gearing (times)	0.06	0.03
Interest coverage (times)	2.71	2.89

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

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	-	-	-	7.25	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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	5.00	CARE BBB-; Stable	-	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	7.25	CARE A3	-	1)CARE A3 (07-Jan-19)	1)CARE A3 (05-Jan-18) 2)CARE A3 (07-Apr-17)	-

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

Name of the Instrument	Detailed explanation
A. Financial covenants	
I. Adverse deviation of more than 20% in any of the following two ratios a. Current ratio b. TOL/TNW c. Interest coverage ratio	Penal interest of 1.00% p.a. on the entire outstanding for the period of non-adherence subject to a minimum period of one year
B. Non-financial covenants	
I. Non submission of stock statements.	Flat penal interest of Rs.1000+ GST per day after due date of submission if not submitted within 20 days of preceding month.
II. Non submission of financials.	If financials are not submitted within 6 months. For delay of one month, pricing will go up by 25 basis points till the audited financials are submitted.
III. Cross default 1.00%p.a. on the entire outstanding period of default + GST.	If default in payment of installment/interest to other institutions/Banks

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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