

**Remi Sales and Engineering Limited**

January 07, 2019

**Ratings**

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities (Fund-based)	6.75	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Short-term Bank Facilities (Non-fund-based)	1.65	CARE A3 (A Three)	Reaffirmed
<b>Total Facilities</b>	<b>8.40</b> <b>(Rupees Eight Crore and Forty Lakhs only)</b>		

*Details of facilities in Annexure-1*
**Detailed Rationale & Key Rating Drivers**

The reaffirmation of the ratings of the bank facilities of Remi Sales and Engineering Limited (RSEL) continues to derive strength from established experienced promoters and favourable financial risk profile.

The rating strengths, however, continue to be tempered by relatively small size of operations, moderate operational performance with high dependence on group companies.

Ability of RSEL improve its operational performance and efficiently manage working capital requirements remain key rating sensitivities.

**Detailed description of the key rating drivers****Key Rating Strengths****Experienced promoters and long track record of the company**

RSEL was incorporated in the year 1980 by the promoters with a view to having a dedicated marketing setup for products manufactured by Group companies. The company is currently led by founders two son's Mr. V. C. Saraf and Mr. R. C. Saraf.

**Diverse product portfolio**

RSEL has a wide range of product portfolio. The company is currently engaged in sales and marketing of electric motors, electric fans, scientific & laboratory instruments. However, the major portion of sales comes from Laboratory Instruments & Electric Fan segments.

**Wide distribution network across India & low customer concentration**

RSEL has a wide distribution network consisting of 12 branches across India, apart from around 50 distributors and over 1000 dealers. The company has presence in all major cities including Ahmedabad, Mumbai, Bengaluru, Kolkata, Chennai, Goa, New Delhi, Hyderabad, Indore, Nagpur, Kanpur, Vijaywada and Kochi. The company's customer portfolio is well diversified with income from top ten customers making mere 7.46% to total operating income and 7.75% of net sales of FY17.

**Comfortable financial risk profile**

Company's financial risk profile continues to be comfortable. The company does not have any long term debt and the average working capital utilization during the past 12 months ending September 30, 2018 continues to be low at ~12%. Overall gearing and coverage ratios are comfortable. REL has Rs.13.21 cr invested in mutual funds September 30, 2018 respectively.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

**Key Rating Weaknesses*****Small scale of operations***

Despite being into business for more than three decades the, company's level of operation continue to remain small. RSEL had total operating income of Rs.192.62 crore in FY13 and since then it had fallen by about ~34% to Rs.124.97 crore in FY18. The decrease in total operating income was mainly due to company refraining from sale of agro commodities post NSEL scam.

***Profit margins continue to remain thin; albeit marginally improved***

Owing to the trading nature of business the profit margin continues to remain low. The margin was further hampered in FY18 due to bad debt write off accounted in FY18. Thus, PBILDT margins in FY18 declined to 0.67% compared to 4.88% in FY17. However, Due to capital gains earned on the sale of tenancy rights the PAT in FY18 is Rs.7.24 cr compared to Rs. 3.91 cr in FY17. Thus, PAT margins in FY18 remained 5.66% compared to 3.10% in FY17. For H1FY19, the turnover improved by 4.5% at Rs.65.27 crore as compared to corresponding previous year. PBILDT margins also improved to 6.63% in H1FY19 (H1FY18: 3.91%)

***High collection period***

The company gets credit period of around 50 days to 60 days from its suppliers and extends credit period of around 90 days to its customers. Furthermore, debtors for the company are higher during summers i.e. the period of February to June, on account of higher sales of fans during this period. Though improved marginally, average operating cycle for the company remained at 54 days in FY18 as against 62 days in FY17.

***High dependence on group companies***

The company is a marketing arm for products manufactured by group companies and buys majority of its products from group companies (approx. 60%) and balance from entities who have been outsourced the manufacturing of the products of its group companies, thereby making RSEL's business highly dependent on its group companies.

***Liquidity Analysis***

In past 12 months ended on Sep 30, 2018 Remi Sales and Engineering Ltd had a low working capital utilization of ~12 %. RSEL's operating cycle was 54 days in FY18. Debtor balances which are more than 180 days old as on Sep 30, 2018 amounts to ~Rs. 4.69 cr only. Cash and cash equivalents as on Sep 30, 2018 are Rs 0.08 cr. beside this company also holds investment of Rs. 13.21 crore in mutual funds.

**Analytical approach:** Standalone

**Applicable Criteria**

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

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

[Criteria for Short Term Instruments](#)

[CARE's methodology for Wholesale Trading](#)

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

**About the Company**

Remi Sales and Engineering Ltd (RSEL), is part of Remi group, founded by the late Mr. C. K. Saraf. Currently group is headed by his sons Mr. V. C. Saraf and Mr. R.C. Saraf. RESL was incorporated in the year 1980 as Balaji Sales and Engineering Limited with a view to having a dedicated marketing setup for the products manufactured by group companies. The name of the company was changed to Remi Sales and Engineering Limited in 1983. The company has been listed on the Bombay Stock Exchange (BSE) since 1981. RSEL is engaged in the trading of electric motors, electric fans, laboratory instruments and blood bank equipment manufactured by group companies. RSEL also has installed a

windmill of 0.75 MW at Dhule District, Maharashtra. The Power generated is sold to Maharashtra State Electricity Distribution Co. Ltd.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	126.27	127.80
PBILD	6.16	0.86
PAT	3.91	7.24
Overall gearing (times)	0.18	0.02
Interest coverage (times)	37.70	5.07

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

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**About CARE Ratings:**

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**Annexure-1: Details of 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	-	-	-	6.75	CARE BBB-; Stable
Non-fund-based - ST-BG/LC	-	-	-	1.65	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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	6.75	CARE BBB-; Stable	-	1)CARE BBB-; Stable (05-Jan-18) 2)CARE BBB-; Stable (07-Apr-17)	-	1)CARE BBB- (14-Oct-15)
2.	Non-fund-based - ST-BG/LC	ST	1.65	CARE A3	-	1)CARE A3 (05-Jan-18) 2)CARE A3 (07-Apr-17)	-	1)CARE A3 (14-Oct-15)

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