

Remi Sales and Engineering Limited

December 24, 2019

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	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
Total Facilities	8.40 (Rupees Eight Crore and Forty Lakhs only)		

Details of Instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of ratings assigned to the bank facilities of Remi Sales & Engineering Limited (RPPML) takes into account the experience of promoters and management, diverse product portfolio, presence of wide distribution network across India along with comfortable financial risk profile.

The rating strengths are, however, tempered by the relatively small scale of operations and high dependence of RSEL on other group companies.

Rating sensitivities-

Positive Factors

- Increase in the operating income above 15% on a sustained basis resulting from the increase in operations of the group companies.

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 Margins below 4% on a sustained basis, resulting from competition.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters and management team

RSEL is a part of Remi group, which was founded in the year 1960 by late Mr. C.K. Saraf. The group is currently led by founder's two sons, Mr. V. C. Saraf and Mr. R. C. Saraf. RSEL was incorporated in the year 1980 by the promoters with a view of having a dedicated marketing setup for products manufactured by the group companies.

Diverse product portfolio

RSEL is 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. Company registered net sales of Rs.135.55 crores in FY19. Laboratory instruments contributed 48.98%, whereas electric fans contributed 41.75% to net sales.

Wide distribution network across India with low customer concentration

RSEL has a wide distribution network consisting of 12 branches, about 50 distributors and over 1000 dealers across India. 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 10 customers at only 7.87% of gross sales in FY19.

Comfortable financial risk profile

The company's financial risk profile continues to remain comfortable. The company does not have any long term debt and the average working capital utilization during the past 12 months ending September, 2019 continues to be on lower side, at 9.58%. Overall gearing of the company is also comfortable at 0.05x as on March 31, 2019 and 0.10x as on September 30, 2019. PBILDT interest coverage ratio increased considerably from 5.07x in FY18 to 53.71x in FY19. This increase is on account of bad debt written off in FY18. PBILDT interest coverage ratio further increased to 72.56x in H1FY20.

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

Key Rating Weaknesses

High dependence on group companies

RSEL is the marketing arm of Remi group and looks after sales and distribution of products produced by the other group companies. Company buys majority of its products from group companies. In FY19, approximately 65% of its products purchase is from its group companies, thereby making RSEL's business highly dependent on group companies.

Small scale of operations

Despite being into business for more than three decades, company's level of operation continue to remain small. RSEL has total operating income of Rs.139.67 crore in FY19. Average growth in operating income for the past three years is only 5.64%. RSEL's operations is small because company refrained from trading of agro commodities post NSEL scam in FY13.

Liquidity position: Adequate

RSEL has gearing of 0.05x as on March 31, 2019 and 0.10x as on September 30, 2019. This gearing level gives the company enough gearing headroom to raise additional debt, if required. Company's average working capital utilization for past twelve months ending on September 2019 is also low at 9.58%. RSEL does not have any repayment obligation in absence of long term loans. Company has investments of Rs.18.44 crore as on March 31, 2019 and Rs.23.19 crore as on September 30, 2019 in mutual funds, which further strengthens the liquidity position.

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](#)

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

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

About the Company

Remi Sales and Engineering Ltd (RSEL) is a part of Remi group which was founded by the late Mr. C. K. Saraf. Currently, the group is headed by his sons Mr. V. C. Saraf and Mr. R.C. Saraf. RSEL was incorporated in the year 1980 as Balaji Sales and Engineering Limited with a view of 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. 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)	FY18 (A)	FY19(A)
Total operating income	127.80	139.67
PBILD	0.86	7.53
PAT	7.24	5.42
Overall gearing (times)	0.02	0.05
Interest coverage (times)	5.07	53.71

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	-	-	-	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 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	6.75	CARE BBB-; Stable	-	1)CARE BBB-; Stable (07-Jan-19)	1)CARE BBB-; Stable (05-Jan-18) 2)CARE BBB-; Stable (07-Apr-17)	-
2.	Non-fund-based - ST-BG/LC	ST	1.65	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
IV. Nonpayment of interest/installment	5.00%p.a. on irregular portion for the period of irregularity

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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