

Remi Sales and Engineering Ltd

January 05, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating 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 facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of the ratings for the bank facilities of Remi Sales and Engineering Ltd (RSEL) continues to derive strength from the vast experience of the promoters, diversified product portfolio, comfortable financial risk profile, low customer concentration and strong distribution network in India.

However, the aforementioned ratings strengths continue to be constrained by relatively small size of operations, low profitability margins – a characteristic of the trading industry, high collection period and dependence on group companies for sourcing of products.

The ability of RSEL to grow its scale of operations (aided by increased production by group companies), while enhancing its profit margins and ability to reduce collection period are the 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: The 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 November 30, 2017 continues to be low at ~32%. Overall gearing and coverage ratios are comfortable. REL has Rs.9.75 cr and Rs.7.26 cr investments in mutual funds as on March 31, 2017 and September 30, 2017 respectively.

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 ~35% to Rs.124.62 crore in FY17. The decrease in total operating income was mainly due to company refraining from sale of agro commodities post NSEL scam.

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

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 FY17 due to write off relating to NSEL exposure. PBILDT and PAT margins of the company improved at 3.57% and 3.09% respectively in FY17 as compared to 1.69% and 0.89% respectively in FY16 due to improvement in gross margins. The PBILDT margins would have been higher at 3.77% and 5.39% for FY16 and FY17 respectively, if bad debts related to NSEL were not written off in FY16 and FY17. For H1FY18, the turnover improved by 4% at Rs.62.43 crore as compared to corresponding previous year. PBILDT margins also showed an improvement at 3.51% in H1FY18 (H1FY17: 2.97%).

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.

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.

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. RSEL 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)	FY16 (A)	FY17 (A)
Total operating income	123.84	124.62
PBILDT	2.05	4.45
PAT	1.10	3.85
Overall gearing (times)	0.31	0.19
Interest coverage (times)	14.35	27.21

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	6.75	CARE BBB-; Stable	1)CARE BBB-; Stable (07-Apr-17)	-	1)CARE BBB- (14-Oct-15)	1)CARE BBB- (25-Nov-14)
2.	Non-fund-based - ST-BG/LC	ST	1.65	CARE A3	1)CARE A3 (07-Apr-17)	-	1)CARE A3 (14-Oct-15)	1)CARE A3 (25-Nov-14)

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