

Remi Sales and Engineering Ltd.

April 07, 2017

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)		

Rating Rationale

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

However, the aforementioned ratings strengths continue to be constrained by relatively small size of operations, declining trend of total operating income, 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.

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 11 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, Hyderabad, Indore, Kanpur, New Delhi, Gurgaon, Nagpur, Pune and Kochi.

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 December 31, 2016 continues to be low at about 14%.

Marginal improvement in profit margins

PBILDT margin improved marginally to 1.70% for FY16 as compared to 1.50% in FY15. The PAT margin also improved marginally to 0.89% in FY16 from 0.60% in FY15.

Low working capital utilization

Average utilization of working capital limits have been low at around 14% for the last 12 months ended December 31, 2016.

Key Rating Weaknesses

Low scale of operations and declining trend of total operating income

Despite being into business for more than three decades, the company's level of operation continue to remain small. Furthermore, the total operating income of the company has been on declining trend since FY13. RSEL had total operating income of Rs.192.62 crore in FY13 and since then it had fallen by about 37% to Rs.120.85 crore in FY16. The decrease in total operating income is mainly due to the company discontinuing sale of agro commodities post NSEL scam.

Profit margins continue to remain thin

²Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Owing to the trading nature of business the profit margin continues to remain thin. The margin was further hampered due to write off relating to NSEL exposure. In FY16, cost relating to write off relating to NSEL receivables amounted to Rs.2.53 crore, i.e., about 204 bps of total operating income. The PAT margin of the company was at 0.89%.

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, higher collection cycle is mainly due to higher sales of fans during February-June period.

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.

In FY16, RSEL's total operating income declined by 6.58% to Rs.123.84 crore from Rs.132.56 crore in FY15. The company's PAT increased by 39.69% y-o-y to Rs.1.10 crore from Rs.0.79 crore.

Status of non-cooperation with previous CRA: N.A

Any other information: N.A

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.

Analyst Contact:

Name: Ms Jumana Badshah

Tel: 022 – 6754 3556

Email: jumana.badshah@careratings.com

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

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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 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 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-(14-Oct-15)	1)CARE BBB-(25-Nov-14)
2.	Non-fund-based - ST-BG/LC	ST	1.65	CARE A3	-	-	1)CARE A3 (14-Oct-15)	1)CARE A3 (25-Nov-14)

CONTACT**Head Office Mumbai****Mr. Amod Khanorkar**

Mobile: + 91 98190 84000

E-mail: amod.khanorkar@careratings.com**Mr. Saikat Roy**

Mobile: + 91 98209 98779

E-mail: saikat.roy@careratings.com**CREDIT ANALYSIS & RESEARCH LIMITED**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com**AHMEDABAD****Mr. Mehul Pandya**

32, Titanium, Prahaladnagar Corporate Road,

Satellite, Ahmedabad - 380 015

Cell: +91-98242 56265

Tel: +91-79-4026 5656

E-mail: mehul.pandya@careratings.com**BENGALURU****Mr. Deepak Prajapati**

Unit No. 1101-1102, 11th Floor, Prestige Meridian II,

No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-9099028864

Tel: +91-80-4115 0445, 4165 4529

E-mail: deepak.prajapati@careratings.com**CHANDIGARH****Mr. Sajan Goyal**

SCF No. 54-55,

First Floor, Phase 11,

Sector 65, Mohali - 160062

Chandigarh

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: sajan.goyal@careratings.com**CHENNAI****Mr. V Pradeep Kumar**

Unit No. O-509/C, Spencer Plaza, 5th Floor,

No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com**COIMBATORE****Mr. V Pradeep Kumar**

T-3, 3rd Floor, Manchester Square

Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com**HYDERABAD****Mr. Ramesh Bob**

401, Ashoka Scintilla, 3-6-502, Himayat Nagar,

Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: ramesh.bob@careratings.com**JAIPUR****Mr. Nikhil Soni**

304, Pashupati Akshat Heights, Plot No. D-91,

Madho Singh Road, Near Collectorate Circle,

Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: nikhil.soni@careratings.com**KOLKATA****Ms. Priti Agarwal**

3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)

10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com**NEW DELHI****Ms. Swati Agrawal**

13th Floor, E-1 Block, Videocon Tower,

Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com**PUNE****Mr. Pratim Banerjee**

9th Floor, Pride Kumar Senate,

Plot No. 970, Bhamburda, Senapati Bapat Road,

Shivaji Nagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691