

## Rishab Industries

May 02, 2017

### Ratings

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Rating Action
Long-term Bank Facilities	0.82	<b>CARE BB+; Stable (Double B Plus; Outlook: Stable)</b>	Revised from CARE BB (Double B)
Long/Short-term Bank Facilities	4.50	<b>CARE BB+; Stable/CARE A4+ (Double B Plus; Outlook: Stable/A Four Plus)</b>	Revised from CARE BB/CARE A (Double B/A Four)
<b>Total Facilities</b>	<b>5.32 (Rupees Five crore and Thirty Two lakh only)</b>		

*Details of Instruments/Facilities in Annexure I*

### Detailed Rationale & Key Rating Drivers

The revision in the rating assigned to the bank facilities of Rishab Industries (RI), takes into account the improved financial risk profile marked by a growth in scale of operations, improvement in profit margins, capital structure, debt coverage indicators and improved working capital cycle during FY16 (refers to a period April 1 to March 31). The rating, however, continues to be constrained on account of the concentrated customer base, small scale of operations, elongated working capital cycle, vulnerability to fluctuations in prices of raw material, susceptibility to foreign exchange movements and the proprietorship nature of its constitution leading to limited financial flexibility.

The ratings are, however, continue to derive strength from the extensive experience of the promoters and long track record of the firm in the transformer industry along with established relations with reputed customers. The rating further takes into consideration the healthy profitability margins, satisfactory capital structure and debt coverage indicators.

The ability of the company to further increase its scale of operations and efficiently managing its working capital requirement while maintaining the profitability margins and solvency position remains the key rating sensitivity.

### Detailed description of the key rating drivers

#### Key Rating Strengths

**Long track record of operations and experience of the promoters:** The company has an established track record of over 15 years in the transformer manufacturing industry. The firm is promoted by Mrs Hardeepkaur Bhurji, first generation entrepreneurs of the entity. The key promoters have an experience of over two decades in the industry. Furthermore, the entity deals with reputed players in the industry and has been able to get regular orders from them.

**Comfortable profitability margins and capital structure:** The profit margins of the firm have been comfortable and in the last three years and was in the range of 10.50% to 13%. However, the same remained susceptible to fluctuation in input prices. Furthermore, the low debt profile of the company as compared to its net-worth resulted in comfortable capital structure. Moreover, with comfortable profitability and low debt profile, the debt coverage indicators of the company also remained modest.

#### Key Rating Weaknesses

**Small scale of operations:** Despite being operations for over 15 years the size of operations of the company remains small as marked by a total operating income of Rs.22.85 crore in FY16 and a tangible net-worth of Rs.4.67 crore as on March 31, 2016. The small size restricts financial flexibility and deprives the company of benefits of economies of scale.

**High customer concentration:** The company has an established and well reputed client base. However, the top 5 customers of the firm contributed to approximately 95% of the total sales of the company in FY16.

**Working capital intensive nature of operations:** The operations of the entity remained working capital intensive with funds being mainly blocked in debtors as reflected by high gross current asset days of over 132 days during the year ending FY16.

#### Proprietorship nature of constitution

PC was established as a proprietorship concern, giving rise to the risk of withdrawal of capital by promoters in times of contingency. Furthermore, PC has limited access to the capital market thereby limiting its financial flexibility

**Analytical Approach:** Standalone

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

**Applicable Criteria**[Criteria on assigning Outlook to Credit Ratings](#)[CARE's Policy on Default Recognition](#)[Criteria for Short Term Instruments](#)[CARE's Methodology for Manufacturing Sector Companies](#)[Financial ratios \(Non-Financial Sector\)](#)**About the Company**

RI is based in Pune (Maharashtra) and was established in 2002 as a proprietary concern by Mrs Hardeepkaur Bhurji, first generation entrepreneurs of the entity. The firm is engaged in the manufacturing of isolation transformers, 12 pulse transformers, open delta transformers, control transformers as well as chokes and other allied devices. The transformers manufactured by RI range from 10 KV to 600 KV depending on the requirement of the customer. Furthermore, the firm also manufactures Servo Controlled Voltage Stabilisers (SCVS) and provides maintenance and repair services for all the products manufactured. The major raw material required for manufacturing include, copper wires, steel, CRGO (Cold Rolled Grain Oriented) laminations and varnish. In FY16, RS procured approximately 85% of raw material from indigenous sources whereas importing the balance, mainly from China and the US. The products manufactured find application in a range of industries like consumer electronics, process control instruments, medical electronics, IT, industrial electronics, defence and telecommunications amongst others. RS sells its products in the domestic market across Maharashtra, Gujarat and Tamil Nadu. RS currently has two manufacturing facilities located at MIDC Bhosari with an installed capacity to manufacture 5500 transformers, 6500 Chokes and 125 SCVS as on 31st March, 2016.

**Status of non-cooperation with previous CRA:** Not Applicable**Any other information:** Not Applicable**Rating History (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.

**Analyst Contact**

Name: Mr Nitin Jha

Tel: 022 – 67543676

Email: [nitin.jha@careratings.com](mailto:nitin.jha@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.

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In case of partnership/proprietary concerns, the rating 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-Term Loan	-	-	February 2020	0.82	CARE BB+; Stable
Fund-based/Non-fund-based-LT/ST	-	-	-	4.50	CARE BB+; Stable / CARE A4+

**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 -Term Loan	LT	0.82	CARE BB+; Stable	-	1)CARE BB (29-Apr-16)	-	-
2.	Fund-based/Non-fund-based	LT/ST	4.50	CARE BB+; Stable / CARE A4+	-	1)CARE BB / CARE A4 (29-Apr-16)	-	-

**CONTACT****Head Office Mumbai****Mr. MehulPandya**

Cell: +91-98242 56265

E-mail: [mehul.pandya@careratings.com](mailto:mehul.pandya@careratings.com)**Mr. Saikat Roy**

Cell: + 9198209 98779

E-mail: [saikat.roy@careratings.com](mailto: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](mailto:care@careratings.com)

**AHMEDABAD****Mr. Deepak Prajapati**

32, Titanium, Prahaladnagar Corporate Road,  
Satellite, Ahmedabad - 380 015

Cell: +91-9099028864

Tel: +91-79-4026 5656

E-mail: [deepak.prajapati@careratings.com](mailto:deepak.prajapati@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](mailto:deepak.prajapati@careratings.com)**CHANDIGARH****Mr. SajanGoyal**

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](mailto: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](mailto: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](mailto:pradeep.kumar@careratings.com)

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](mailto:ramesh.bob@careratings.com)**JAIPUR****Mr. Nikhil Soni**

304, PashupatiAkshatHeights, Plot No. D-91,  
Madho Singh Road, NearCollectorateCircle,  
Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: [nikhil.soni@careratings.com](mailto:nikhil.soni@careratings.com)**KOLKATA****Ms. PritiAgarwal**

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](mailto: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](mailto:swati.agrawal@careratings.com)**PUNE****Mr.Pratim Banerjee**

9th Floor, Pride KumarSenate,  
Plot No. 970, Bhamburda, SenapatiBapat Road,  
ShivajiNagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: [pratim.banerjee@careratings.com](mailto:pratim.banerjee@careratings.com)

CIN - L67190MH1993PLC071691

**HYDERABAD****Mr. Ramesh Bob**