Press Release

Rollwell Forge Private Limited (RFPL)

31 January, 2018

Rating Assigned and Upgraded

Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	SMERA B-/Stable (Assigned)
Short Term Rating	SMERA A4 (Upgraded from SMERA D)

** Refer Annexure for details*

Rating Rationale

SMERA has assigned and upgraded the long term rating to **'SMERA B-' (read as SMERA B minus)** and the short term rating to **'SMERA A4' (read as SMERA A four)** on the Rs.8.50 crore bank facilities *(total facility of Rs.10.50 however exposure allowed of Rs.8.50 crore)* of Rollwell Forge Private Limited (RFPL). SMERA has also assigned long term rating of **'SMERA B-' (read as SMERA B minus)** on the Rs.1.50 crore bank facilities**.** The outlook is **'Stable'**.

SMERA has placed the rating of 'SMERA D' (read as SMERA D) assigned to the Rs.2.50 crore bank facilities of Rollwell Forge Private Limited on notice of withdrawal for a period of 90 days. As per SMERA's 'Policy on Withdrawal of Ratings' the rating will be withdrawn after 90 days from the date of this release. Further, SMERA has also withdrawn the rating of **'SMERA D' (read as SMERA D)** assigned to the Rs.2.50 crore bank facilities.

Rollwell Forge Private Limited (RFPL) was incorporated in 1991 by Mr. Ashok Kumar Patel and Mr. Bharat Kumar Vadalia. In 2003, Mr. Omprakash Kanungo, Mr. Babulal Mehta & Mr. Naresh Mehta took-over the business and commenced manufacturing of forgings and forged flanges. In April 2016, there was again a change in the management of the company. Currently, RFPL is led by Mr. Omprakash Kanungo, Mr. Kanji Rangani, Mr. Rameshbhai Rangani and Mr. Mehul Kanungo.

The company manufactures around 5000 variety of flanges and fittings. RFPL caters mainly to the overseas market with export to Canada, USA, Turkey, Germany, Croatia & Italy comprising ~70 percent of its total revenue.

The rating is upgraded in view of the improved financial risk profile with low gearing and moderate interest coverage ratio. The rating continues to draw comfort from its experienced management. However, the rating is constrained by the company's modest scale of operations, susceptibility to foreign exchange fluctuation risk and working capital intensive operations.

Key rating drivers

Strengths

Experienced management: Mr. Kanji Rangani heads operations and has more than two decades of experience in the machine tools and flanges manufacturing industry while Mr. Mehul Kanungo, with experience of around three years leads marketing and exports.

Moderate financial risk profile: The company has moderate networth of Rs.12.20 crore as on 31 March, 2017 compared to Rs. 9.34 crore in the previous year. The increase is mainly on account of infusion of capital by promoters. The gearing stood comfortable at 0.92 times as on 31 March, 2017. The total debt of Rs.11.17 crore mainly includes inter corporate deposits of Rs.2.71 crore and short term borrowings of Rs.8.46 crore. The Interest Coverage Ratio stood at a moderate 1.68 times in FY2017.

Weaknesses

Modest scale of operations: The company had a modest and declining revenue trend from FY2015 to FY2017. The revenue fell to Rs.10.20 crore in FY2017 from Rs.24.94 crore in FY2016 and Rs.44.45 crore in FY2015 mainly on account of limited expansion activity in the oil & gas industry and anti-dumping duties imposed by the US government on import of flanges from India.

Susceptible to foreign exchange fluctuation risk: With ~70 per cent revenue derived from exports to USA, Canada, Italy, Germany, Croatia among others, the company is exposed to foreign exchange fluctuation risk in the absence of hedging mechanism.

Working capital intensive operations: The company has high GCA of 588 days in FY2017 compared to 296 days in FY2016 mainly on account of high levels of inventory maintained by the company. The inventory holding increased to 640 days in FY2017 from 242 days in FY2016 on account of lower than expected sales which led to inventory pile up. Further, the company also needs to maintain different sizes of flanges which also lead to high inventory.

About the Rated Entity – Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	10.20	24.94	44.45
EBITDA	Rs. Cr.	1.57	(0.10)	2.34
PAT	Rs. Cr.	0.11	0.42	(0.21)
EBITDA Margin	(%)	15.40	(0.39)	5.25
PAT Margin	(%)	1.11	1.70	(0.46)
ROCE	(%)	3.53	7.06	6.83
Total Debt/Tangible Net Worth	Times	0.92	1.37	1.50
PBDIT/Interest	Times	1.93	1.75	1.41
Total Debt/PBDIT	Times	7.11	-131.75	5.72
Gross Current Assets (Days)	Days	588	296	238

Analytical approach: SMERA has considered the standalone financial and business risk profiles of the company to arrive at the ratings.

Any other information: Not Applicable

Outlook – Stable

SMERA believes that RFPL will maintain a Stable outlook and continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers substantial growth in scale of operations while achieving healthy profit margins and comfortable financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues or profitability and deterioration in the financial risk profile.

Applicable Criteria

- Default Recognition - https://www.smera.in/criteria-default.htm
- Financial Ratios And Adjustments - https://www.smera.in/criteria-fin-ratios.htm
- Manufacturing Entities - https://www.smera.in/criteria-manufacturing.htm

Note on complexity levels of the rated instrument
https://www.smera.in/criteria-complexity-levels.htm
Status of non-cooperation with previous CRA (if applicable): None

Rating History (Upto last three years):

Date	Name of Instruments	Term	Amount (Rs. Cr.)	Ratings/Outlook
08 Jan, 2016	FDBN / FDBP / FDBD /RACB	Short Term	5.00**	SMERA D (Reaffirmed)
	PCL /PCFC	Short Term	5.00	SMERA D (Reaffirmed)
	Import / Inland LC cum BG	Short Term	2.50^	SMERA D (Reaffirmed)
	Proposed Fund Based Facility	Long Term	2.50	SMERA D (Reaffirmed)
***Includes sublimit of FDBD to the extent of Rs.2.00 crore, FDBP to the extent of Rs.5.75 crore, Direct Parcel Bill of Rs.1.00 crore and RACB of Rs.1.00 crore. ^Interchangeability of BG limit to the full extent by earmarking the Import/Inland Letter of Credit is permitted.*				
10 Oct, 2014	FDBN / FDBP / FDBD /RACB	Short Term	5.75**	SMERA D (Assigned)
	PCL/PCFC	Short Term	5.75	SMERA D (Assigned)
	Import/ Inland LC cum BG	Short Term	3.50^	SMERA D (Assigned)
***Includes sublimit of FDBD to the extent of Rs.2.00 crore, FDBP to the extent of Rs.5.75 crore, Direct Parcel Bill of Rs.1.00 crore and RACB of Rs.1.00 crore. ^Interchangeability of BG limit to the full extent by earmarking the Import/Inland Letter of Credit is permitted.*				

Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
FDBN / FDBP / FDBD /RACB@	NA	NA	NA	3.50** (reduced from Rs.5.00 crore)	SMERA A4 (Upgraded)
PCL /PCFC@	NA	NA	NA	5.00	SMERA A4 (Upgraded)
Corp SME Liquid Plus@	NA	NA	NA	2.00	SMERA B-/Stable (Assigned)
Import / Inland LC cum BG	NA	NA	NA	2.50^	SMERA D (Notice of Withdrawal)
Proposed Fund Based - I	NA	NA	NA	2.50	SMERA D (Withdrawn)
Proposed Fund Based - II	NA	NA	NA	1.50	SMERA B-/Stable (Assigned)

***Includes sublimit of FDBD to the extent of Rs.2 crore, FDBP to the extent of Rs.3.50 crore, Direct Parcel Bill of Rs.1.00 crore and RACB of Rs.1.00 crore.*
^Interchangeability of BG limit to the full extent, by earmarking the Import/Inland LC is permitted.
@Total credit exposure within limit of Rs.8.50 crore.

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ABOUT SMERA

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