

Press Release

Rolex Reclaim Private Limited

September 06, 2017

Rating Downgraded



Total Bank Facilities Rated*	Rs. 5.95 Cr.
Long Term Rating	SMERA B- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has downgraded long-term rating of '**SMERA B-**' (read as **SMERA B minus**) on the Rs. 5.95 crore bank facilities of Rolex Reclaim Private Limited. The outlook is '**Stable**'.

Rolex Reclaim Private Limited (RRPL), incorporated in 2011, is a Rajkot-based company engaged in the manufacture of reclaimed rubber at Pipalaya. The installed production capacity is 7,200 metric tonnes per annum.

Key Rating Drivers

Strengths

- **Experienced management**

RRPL was established in 2011 by Directors, Mr. Divyesh K. Pambhar, Mr. Thanmal Hansraj Jain, Mr. Jayesh Kantilal Vadukiya, Mr. Jitendra Kantibhai Bhadeshiya among others. The promoters possess experience of more than a decade in the rubber industry.

Weaknesses

- **Moderate financial risk profile**

The financial risk profile of RRPL has been moderate marked by comfortable gearing of 1.36 times as on 31 March, 2017 compared to 1.40 times in the previous year. The interest coverage ratio stood at 1.31 times for FY2017 compared to 1.37 times in FY2016. The DSCR stood low at 0.82 times in FY2017 as against 0.99 times in FY2016.

- **Small scale of operations**

The scale of operations is small with revenue of Rs.12.91 crore in FY2017(Provisional) compared to Rs.16.19 crore in FY2016.

- **Working capital intensive operations**

The operations are working capital intensive marked by high GCA days of 177 for FY2017 compared to 111 for FY2016. The high GCA days are on account of stretched inventory of 114 days as on 31 March, 2017 and 72 in the previous year. Further, the liquidity profile is stretched. The company has fully utilised its working capital limits.

- **Competitive and fragmented industry**

The company is exposed to intense competition in the rubber industry from organised as well as unorganised players.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company to arrive at the rating.

Outlook: Stable

SMERA believes that the outlook on RRPL's rated facilities will remain stable over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers strong growth in scale of operations while achieving sustained improvement in profit margins and liquidity. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

For FY2016-17 (Provisionals), the company reported net loss of Rs.0.12 crore on operating income of Rs.12.91 crore compared with net loss of Rs.0.28 crore on operating income of Rs.16.19 crore for FY2015-16. The net worth stood at Rs.3.44 crore as on 31 March, 2017 (Provisionals) compared to Rs.3.53 crore as on 31 March, 2016.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

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>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
19-Apr-2016	Cash Credit	Long Term	INR 3.75	SMERA B / Stable
	Term Loan - I	Long Term	INR 1.2	SMERA B / Stable
	Term Loan - II	Long Term	INR 1	SMERA B / Stable
11-Feb-2015	Cash Credit	Long Term	INR 3.75	SMERA B / Stable
	Term Loan - I	Long Term	INR 1.2	SMERA B / Stable
	Term Loan - II	Long Term	INR 1	SMERA B / Stable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.75	SMERA B- / Stable (downgraded from SMERA B/Stable)
Term loans	Not Applicable	Not Applicable	Not Applicable	1.20	SMERA B- / Stable (downgraded from SMERA B/Stable)
Term loans	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA B- / Stable (downgraded from SMERA B/Stable)

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