



SMERA RATINGS LIMITED

# Rajasthan Mechanical Works Limited (RMWL)

*Rating  
Rationale*

**June 18, 2015**

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	4.60	SMERA BB/ Stable (Assigned)
Term Loan	0.80	SMERA BB/ Stable (Assigned)
Bank Guarantee	2.00	SMERA A4+ (Assigned)

SMERA has assigned ratings of '**SMERA BB**' (read as **SMERA double B**) to the Rs.5.40 crore long-term (fund based) bank facilities and '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.2.00 crore short term (non-fund based) bank facility of Rajasthan Mechanical Works Limited (RMWL). The outlook is '**Stable**'. The rating is supported by the company's moderate financial risk profile and experienced management. However, the rating is constrained by the working capital intensive nature of operations amidst intense competition in the iron and steel industry. The rating is further constraint on account of company's small scale of operations.

RMWL, incorporated in 1995, is a Jaipur-based company engaged in the manufacture of agricultural implements such as spring loader tiller, heavy duty spring loaded tiller, disc plough among others. RMWL's moderate financial risk profile is marked by leverage (debt-equity ratio) of 1.76 times as on March 31, 2014 and interest coverage ratio of 1.47 times in FY2013-14 (refers to financial year, April 01 to March 31). The company reported healthy operating margin of 9.50 per cent in FY2013-14 (refers to financial year, April 01 to March 31). The company is headed by Mr. Surendra Gupta, Director who has 30 years of experience in the iron and steel industry.

RMWL registered low revenues of Rs. 11.76 crore in FY2013-14 as compared to Rs. 11.76 crore in FY2012-13. The company's working capital intensive nature of operations is evident from the extended working capital cycle of 174 days (provisional) in FY2014-15. Besides, the company faces intense competition from several unorganized players.

## **Outlook: Stable**

SMERA believes RMWL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers sustained growth in revenues while maintaining profitability and capital structure. However, the outlook may be revised to 'Negative' in case of deterioration in the company's financial profile.

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## About the Company

RMWL, incorporated in 1995, is a Jaipur-based company engaged in the manufacture of agricultural implements such as spring loader tiller, heavy duty spring loaded tiller and disc plough. The overall operations of the company are managed by Mr. Surendra Gupta, Director, RMWL.

RMWL reported profit after tax (PAT) of Rs.0.17 crore on operating income of Rs.11.76 crore for FY2013-14, as compared with PAT of Rs.0.05 crore on operating income of Rs.10.42 crore in FY2012-13. The company reported revenue of Rs.11.99 crore (provisional) during April 2014 to March 2015. RMWL's net worth stood at Rs.2.76 crore as on March 31, 2014, as against Rs.2.65 crore a year earlier.

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