SMERA RATINGS LIMITED

Rajasthan Mechanical Works Limited: Downgraded

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	4.60	SMERA B+/Stable (Downgraded from SMERA BB)
Term Loan	0.80	SMERA B+ Stable (Downgraded from SMERA BB)
Bank Guarantee	2.00	SMERA A4 (Downgraded from SMERA A4+)

SMERA has downgraded the above rating of Rajasthan Mechanical Works Limited (RMWL) to **'SMERA B+' (read as SMERA B plus)** and **'SMERA A4' (read as SMERA A four)** from 'SMERA BB' (read as SMERA double B) and SMERA A4+' (read as SMERA A four plus) respectively.

The rating downgrade reflects fall in revenues and significant decline in profitability and profit margins. The company has weak financial risk profile marked by high gearing, working capital intensive business and stretched liquidity profile (100 per cent bank limit utilised from December 2015 to July 2016). The ratings are also constrained by the intense competition in the agricultural equipments industry. However, the ratings continue to be supported by the long track record of operations and experienced management.

The operating income has declined to Rs.11.30 crore with losses of Rs.0.35 crore in FY2015-16 (provisional). The company has weak financial risk profile marked by small scale of operations of Rs.11.89 crore with net profit of Rs.0.14 crore in FY2014-15 as compared to operating income of Rs. 11.76 crore with net profit of Rs.0.17 crore in FY13-14. The gearing has been high (debt-to-equity) of 2.41 times in FY2014-15 against 1.76 times in FY2013-14 and moderate interest coverage of 1.24 times in FY2014-15 against 1.47 times in FY2013-14.

RMWL has high liquidity profile (100 per cent bank limit utilised of cash credit limit). Moreover, the company registered PAT margin of 1.21 per cent in FY2014-15 as against 1.49 per cent in FY2013-14. RMWL operates in an intensely competitive segment of the agricultural equipments industry. The total debt of Rs.6.80 crore includes unsecured loans of Rs.0.77 crore that are subordinated to bank debt as on March 31, 2015.

Outlook- Stable

SMERA believes RMWL will maintain a stable outlook in the medium term owing to the established operations and extensive experience of the promoters in the business. The outlook may be revised to 'Positive' in case of significant improvement in operations, profitability and networth. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile.

Rating Sensitivity Factors

- Improvement in revenue and profitability profile
- Improving in working capital cycle

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

RMWL established in 1995, is a Jaipur-based company promoted by Mr. Surendra Gupta. The company is engaged in the manufacturing of agricultural implements such as spring loader tiller, heavy duty spring loader, disc plough and Rotavato.

For FY2014-15, the company reported profit after tax (PAT) of Rs.0.14 crore on operating income of Rs.11.89 crore, as compared with PAT of Rs.0.17 crore on operating income of Rs.11.76 crore in FY2013-14. The company achieved operating income of Rs.11.30 crore in FY2015-16 (provisional). The net worth stood at Rs.2.50 crore as on March 31, 2015 against Rs.2.76 crore a year earlier.

Rating History

Date	Name of the Instruments	Amount (Rs. Crore)	Rating		Rating/ Outlook
			Long Term	Short Term	
18 June , 2015	Cash Credit	4.60	SMERA BB (Assigned)	-	Stable
	Term Loan	0.80	SMERA BB (Assigned)	-	Stable
	Bank Guarantee	2.00	-	SMERA A4+ (Assigned)	-

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ABOUT SMERA

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