

Press Release

R K Tech India Private Limited (RKTl)

02 September, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 Cr
Long Term Rating	SMERA B+/Stable (Assigned)
Short Term Rating	SMERA A4 (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long term rating of '**SMERA B+**' (read as **SMERA B plus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs.10.00 crore bank facilities of R K Tech India Private Limited (RKTl). The outlook is '**Stable**'.

Incorporated in 2004, the Tamil Nadu-based RKTl undertakes solar panel projects and trades in UPS, inverters, batteries etc.

List of key rating drivers and their detailed description

Strengths

Experienced management: The company is led by Mr. S Rajkumar who has experience of around 20 years in the manufacturing and marketing of electrical projects, UPS, solar products among others.

Healthy order book: The company has received orders worth ~Rs.80.00 crore as on 26/Jul/2017 from government entities including Non-conventional Energy and Rural Technology (ANERT), Tamil Nadu Energy Development Agency (TNEDA) that provide medium term revenue visibility.

Weakness

Small scale of operations: The company has modest scale of operations with revenue of around Rs.17.47 crore in FY2017 (Provisional) as against Rs.16.07 crore in FY2016.

Moderate capital structure: The capital structure is moderate with low networth of Rs.2.95 crore as on 31 March, 2017 (Provisional) (as against Rs.2.38 crore as on 31 March, 2016). The gearing stood at 1.42 times as on 31 March, 2017 (Provisional) as against 2.14 as on 31 March, 2016). The gearing improved mainly on account of repayment of car loan and ploughing back of profits. The total debt in FY2017 mainly includes unsecured loans from directors of Rs.1.12 crore and Rs.2.97 crore of short term borrowing.

Working capital intensive operations: The company has high GCA of 214 days in FY2017 (Provisional) as against 223 days in FY2015. The GCA days are high mainly on account of high debtors of 141 days in FY2017 (Provisional) as against 132 days in FY2016 owing to delay in receivables from government entities.

SMERA believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

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

Applicable Criteria

- Application of Financial Ratios & Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that the outlook of RKTl will remain stable owing to the extensive experience of the promoters in the business. The outlook may be revised to 'Positive' if the company is able to scale up operations and sustain healthy profitability margins. Conversely, the outlook may be revised to 'Negative' in case of additional working capital borrowings leading to deterioration in the overall gearing or further weakening of profitability margins.

About the Rated Entity

Established in 2004, RKTl undertakes EPC contracts to set up solar projects (rooftop and ground mount solar panel projects). The company is also engaged in trading of UPS, batteries, inverters, etc. The company headed by Directors, Mr. S. Rajkumar and Mrs. Suganya is an A grade MNRE channel partner.

For FY2016-17 (Provisional), RKTl reported net profit after tax (PAT) of Rs.0.57 crore on operating income of Rs.17.47 crore compared to net PAT of Rs.0.44 crore on operating income of Rs.16.07 crore in FY2015-16.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years: Not Applicable

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit**	LT	3.00	SMERA B+/Stable (Assigned)	-	-	-	-	-	-
Bank Guarantee	ST	2.10	SMERA A4 (Assigned)	-	-	-	-	-	-
Letter of Credit	ST	1.25	SMERA A4 (Assigned)	-	-	-	-	-	-
Proposed Working Capital Term Loan	LT	3.65	SMERA B+/Stable (Assigned)	-	-	-	-	-	-

**ODBD sublimit Rs.2.75 crore

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Cash Credit**	NA	NA	NA	3.00	SMERA B+/Stable (Assigned)
Bank Guarantee	NA	NA	NA	2.10	SMERA A4 (Assigned)
Letter of Credit	NA	NA	NA	1.25	SMERA A4 (Assigned)
Proposed Working Capital Term Loan	NA	NA	NA	3.65	SMERA B+/Stable (Assigned)

**ODBD sublimit Rs.2.75 crore

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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