

Press Release

R. P. M. Engineers (India) Limited (RPM)

March 10, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.14.00 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 above mentioned bank facilities of R. P. M. Engineers (India) Limited (RPM). The outlook is '**Stable**'.

Established in 1975, RPM is engaged in the manufacture of dairy equipments and food processing machinery at Guindy (Tamil Nadu).

List of key rating drivers and their detailed description

Strengths:

Experienced management: RPM, established in 1975 as a proprietary concern was taken over by RPM Engineers (India) Limited in 1997. The current directors include Mr. Ramprasad Divya, Mr. Mahadevan Ramprasad, Ms. Raji Ramprasad Iyer and others.

Moderate financial risk profile: The financial risk profile is marked by moderate debt protection metrics, healthy gearing levels and low net worth base. The interest coverage ratio and debt service coverage ratio stood at 2.28 times and 1.41 times respectively in FY2016. The gearing levels improved to 0.89 times in FY2016 from 1.04 times in FY2015. The company has low net worth of Rs.3.48 crore in FY2016. The company plans to expand capacity and set up a manufacturing plant at Sriperumbudur, Chennai at a cost of Rs.5 crore to be funded through external borrowings which may have an impact on the gearing.

Weaknesses:

Modest scale of operations: RPM's modest scale of operations is marked by revenue of Rs.13.39 crore in FY2016 as against Rs.14.58 crore in FY2015. The company has reported revenue of around Rs.8 crore till 31 October, 2016 (provisional).

Working capital intensive operations: The operations are working capital intensive marked by high gross current assets days of 188 in FY2016 as against 120 days in FY2015. This is mainly on account of debtors of 134 days and 99 days in FY2016 and FY2015 respectively which are high on account of tender based nature of business with an average project duration being around a year. However, the inventory days stood at 28 in FY2016 as compared to 16 in FY2015.

Analytical approach: SMERA has taken a standalone view of the business and financial risk profiles of the company.

Applicable Criteria

- Manufacturing Entities – <http://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that RPM will maintain a stable outlook in the medium term owing to its promoters' extensive experience and moderate financial risk profile. The outlook may be revised to 'Positive' if the company scales up operations and profitability while improving working capital management. However, the outlook may be revised to 'Negative' if the company fails to achieve the expected revenues or profitability or if the working capital cycle further deteriorates.

About the Rated Entity

Established in 1975, RPM is engaged in the manufacturing of dairy equipment and food processing machinery at Guindy (Tamil Nadu). The company was promoted by Mr. M. Ramprasad and Mrs. Raji Ramprasad Iyer. The day-to-day operations are managed by Mr. M Ramprasad (Managing Director) and Mr. R Niranjana (Technical Manager).

The company reported profit after tax (PAT) of Rs.0.41 crore on total operating income of Rs.13.39 crore in FY2016, as compared with PAT of Rs.0.35 crore on total operating income of Rs.14.58 crore in the previous year. The tangible net worth stood at Rs.3.48 crore in FY2016 as against Rs.3.03 crore in FY2015.

Status of non-cooperation with previous CRA (if applicable): CRISIL vide its release dated August 27, 2016 suspended the long-term rating of [CRISIL] B+/ Stable / A4 assigned to the Rs. 9.00 crore bank facilities of R. P. M. Engineers (India) Limited. The suspension follows its inability to carry out a rating surveillance in the absence of the requisite information from the firm.

Any other information: None

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	Long Term	2.10	SMERA B+ / Stable (Assigned)	-	-	-	-	-	-
Standby line of credit	Long Term	0.20	SMERA B+ / Stable (Assigned)	-	-	-	-	-	-
Term Loan	Long Term	0.46	SMERA B+ / Stable (Assigned)	-	-	-	-	-	-
Corporate Loan	Long Term	0.17	SMERA B+ / Stable (Assigned)	-	-	-	-	-	-
SME Care Loan	Long Term	0.42	SMERA B+ / Stable (Assigned)	-	-	-	-	-	-
Proposed Term Loan	Long Term	4.15	SMERA B+ / Stable (Assigned)	-	-	-	-	-	-
Bank Guarantee	Short Term	6.50	SMERA A4 (Assigned)	-	-	-	-	-	-

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

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. in crore)	Ratings/ Outlook
Cash Credit	N.A.	N.A.	N.A.	2.10	SMERA B+ / Stable (Assigned)
Standby line of credit	N.A.	N.A.	N.A.	0.20	SMERA B+ / Stable (Assigned)
Term Loan	N.A.	N.A.	March 2019	0.46	SMERA B+ / Stable (Assigned)
Corporate Loan	N.A.	N.A.	N.A.	0.17	SMERA B+ / Stable (Assigned)
SME Care Loan	N.A.	N.A.	N.A.	0.42	SMERA B+ / Stable (Assigned)
Proposed Term Loan	N.A.	N.A.	N.A.	4.15	SMERA B+ / Stable (Assigned)
Bank Guaranteed	N.A.	N.A.	N.A.	6.50	SMERA A4 (Assigned)

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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