

Press Release

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

09 March, 2018



Rating Upgraded, Assigned & Withdrawn

Total Bank Facilities Rated*	Rs. 16.00 Cr. (Enhanced from Rs. 14.00 Cr.)
Long Term Rating	SMERA BB- /Stable (Upgraded from SMERA B+/Stable)
Short Term Rating	SMERA A4+ (Upgraded from SMERA A4)

* Refer Annexure for details

Rating Rationale

SMERA has upgraded the long term rating on the Rs.10.00 crore bank facilities of R. P. M. Engineers Private Limited (RPM) to '**SMERA BB- (read as SMERA double B minus)**' from '**SMERA B+ (read as SMERA B plus)**' and short term rating to '**SMERA A4+ (read as SMERA A4 plus)**' from '**SMERA A4 (read as SMERA A four)**'.

Further, SMERA has assigned long term rating of '**SMERA BB- (read as SMERA double B minus)**' on the Rs. 6.00 crore bank facilities and withdrawn the long term rating of '**SMERA B+/Stable (read as SMERA B plus)**' on the Rs.0.59 crore bank facilities. The outlook is '**Stable**'.

The upgrade is owing to the improvement in the scale of operations and profitability margins. SMERA believes that RPM will sustain its existing business profile on the back of the established track record of operations and healthy relations with reputed customers over the near to mediumterm.

RPM was established in 1975 as a proprietary concern and converted to private limited in 1997. The company is led by Directors, Mr. RamprasadDivya, Mr. MahadevanRamprasad, Ms. RajiRamprasad Iyer, Ms. PavithraRamprasad and Mr. NiranjanRamprasad. The day-to-day operations are led by Mr. M Ramprasad (Managing Director) and Mr. R Niranjan (TechnicalManager).

Key rating drivers

Strengths

Established track record of operations and experienced management

RPM was established in 1975. The day-to-day operations are led by Mr. M Ramprasad (Managing Director) and Mr. R Niranjan (Technical Manager). The Directors have more than three decades of experience in the said line of business.

Established market position and reputed clientele

Over the years, RPM has established relations with reputed customers including National Dairy

Development Board (Gujarat), ITC Ltd, Karnataka Milk Federation Limited (Nandini Dairy), Vijay Vishaka Co-operative Milk Dairy (Andhra Pradesh), Kerala Co-operative Milk Producer Ltd.

Moderate financial risk profile

The financial risk profile has remained moderate marked by net worth of Rs.4.45 crore as on 31 March, 2017 as against Rs. 3.48 crore as on 31 March, 2016. The gearing stood at 0.80 times as on 31 March, 2017 as against 0.89 times as on 31 March, 2016. The total debt of Rs.3.56 crore outstanding as on 31 March, 2017 comprises Rs.0.14 crore of unsecured loans from Directors, long term debt of Rs.2.50 crore from the bank and Rs. 0.92 crore as working capital facility. The ICR stood at 2.62 times in FY2017 as against 2.28 times in FY2016.

The net cash accruals have marginally improved to Rs. 0.83 crore in FY2017 as against Rs.0.56 crore in FY2016. The NCA/TD ratio increased to 0.23 times in FY2017 compared to 0.18 times in FY2016.

Weakness

Working capital intensive operations

The operations are working capital intensive marked by high Gross Current Assets days of 139 in FY2017 as against 183 days in FY2016. This is on account of debtor days of 59 and 134 in FY2017 and FY2016 respectively. The inventory days stood at 30 in FY2017 as against 28 in FY2016. The creditors stood at 110 days in FY2017 and 141 days in FY2016. SMERA believes that since the company is part of the capital goods industry, the operations will remain working capital intensive.

Analytical approach:

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

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	19.00	13.75	15.03
EBITDA	Rs. Cr.	1.72	1.22	1.20
PAT	Rs. Cr.	0.67	0.41	0.35
EBITDA Margin	(%)	9.07	8.90	8.01
PAT Margin	(%)	3.51	2.96	2.32
ROCE	(%)	22.49	18.93	17.29
Total Debt/Tangible Net Worth	Times	0.80	0.89	1.04
PBDIT/Interest	Times	2.62	2.28	2.13
Total Debt/PBDIT	Times	1.95	2.24	2.39
Gross Current Assets (Days)	Days	139	183	117

Any other information:

Not Applicable

Applicable Criteria

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

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

Please refer to rating history.

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
10-Mar, 2017	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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.10	SMERA BB-/Stable (Upgraded from SMERA B+/Stable)
Standby line of credit	Not Applicable	Not Applicable	Not Applicable	0.20	SMERA A4+ (Upgraded from SMERA A4)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.20 (Revised from Rs. 0.46 Cr.)	SMERA BB-/Stable (Upgraded from SMERA B+/Stable)
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.50	SMERA BB-/Stable (Assigned)
Corporate Loan	Not Applicable	Not Applicable	Not Applicable	0.17	SMERA B+/Stable (Withdrawn)
SME Care Loan	Not Applicable	Not Applicable	Not Applicable	0.42	SMERA B+/Stable (Withdrawn)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA BB-/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	7.50 (Revised from Rs. 6.50 Cr.)	SMERA A4+ (Upgraded from SMERA A4)

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ABOUT SMERA

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