

Press Release

April 10, 2017

Renuka Equipments Private Limited (REPL)

Rating Assigned

Total Bank Facilities Rated *	Rs.12.50.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) to the Rs.12.50 crore bank facilities of Renuka Equipments Private Limited (REPL). The outlook is '**Stable**'.

Incorporated in 1997 by Mr. Soumitra Kothari, the Nagpur-based Renuka Equipments Private Limited (REPL) is engaged in the manufacturing of equipments used in steel plants.

List of key rating drivers and their detailed description

Strengths:

Established track record and experienced management: The company was incorporated in 1997 by Mr. Soumitra Kothari and Mrs. Rasika Soumitra Kothari. The promoters have two decades of experience in the engineering equipments industry.

Reputed customer base and established relationships with customers: REPL has a reputed client base. The major customers are Bhushan Power and Steel Ltd, Essar Steel Ltd, JSW Ispat Steel Ltd among others.

Moderate financial risk profile

The company has moderate debt to equity ratio of 1.32 times as on March 31, 2016 as against 1.04 times as on March 31, 2015. The Interest coverage ratio (ICR) stood at 1.42 times for FY2015-16 as against 1.53 times for FY2014-15. The operating margin has remained healthy at 17.58 percent for FY2015-16 as against 17.73 percent for FY2014-15.

Weaknesses:

Working capital intensive operations: REPL has working capital intensive operations marked by high gross current asset days of 483. This is due to high inventory and receivable days of 339 and 179 respectively in FY2015-16. The creditor days also stood high at 128 in FY2015-16. The average cash credit utilisation has been around 85 percent.

Small scale of operations: The scale of operations is considered to be small with operating income of Rs.12.35 cr in FY2015-16 compared to Rs.10.06 cr in FY2014-15. The company registered revenue of ~Rs.9.00 cr till December 30, 2016.

Analytical approach: N.A.

Applicable Criteria

- Manufacturing Entities - <https://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 the outlook on REPL's rated facilities will remain stable over the medium term. The outlook may be revised to 'Positive' in case the company registers strong growth in revenue and profitability with significant improvement in its liquidity position. Conversely, the outlook may be revised to 'Negative' in case of sharp deterioration in the liquidity position and quality of receivables.

About the Rated Entity

REPL incorporated in 1997 by Mr. Soumitra Kothari is based in Nagpur. The company is engaged in the manufacturing of equipments used in steel plants.

REPL's products include plate bending, profile gas cutting, plasma cutting, welding rectifiers to name a few.

For FY2015-16, REPL reported Profit after tax (PAT) of Rs.0.25 cr on operating income of Rs.12.35 cr as compared to PAT of Rs.0.26 cr on operating income of Rs.10.06 cr in FY2014-15.

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

Any other information: Not Applicable

*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	N.A	N.A	N.A	6.50	SMERA B+/Stable (Assigned)
Bank Guarantee	N.A	N.A	N.A	6.00	SMERA A4 (Assigned)

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ABOUT SMERA

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