

Press Release

18 April, 2018

Renuka Equipments Private Limited (REPL)

Rating Upgraded and Reaffirmed



Total Bank Facilities Rated *	Rs.12.50 Cr.
Long Term Rating	SMERA BB-/ Outlook: Stable (Upgraded from SMERA B+/Stable)
Short Term Rating	SMERA A4 (Reaffirmed)

Refer Annexure for details

Rating Rationale

SMERA has upgraded the long term rating to **'SMERA BB-' (read as SMERA double B minus)** from **'SMERA B+' (read as SMERA B plus)** and reaffirmed the short term rating of **'SMERA A4' (read as SMERA A four)** on the Rs.12.50 crore bank facilities of Renuka Equipments Private Limited (REPL). The outlook is **'Stable'**.

The upgrade is in view of the established track record of operations and healthy relations with reputed customers including Essar Steel and Power Ltd, Jindal Steel and Power Ltd, JSW Steel Limited to name a few. SMERA believes that REPL will be able to sustain its business risk profile on the back of its established track record of operations, moderate order book position from customers, growth in revenue and moderate coverage indicators over the near to medium term.

The Nagpur based REPL was incorporated in 1997 by Mr. Soumitra Kothari and Mrs. Rasika Kothari. REPL is a designer and manufacturer of plant, machinery and structures used in iron and steel and also metallurgical and engineering plants such as HM Handles, Bail Arm Lifting hooks, Marshalling Winches, Scrap charging buckets and heat treatment buckets. REPL also undertakes turnkey and semi-turnkey contracts in the metallurgical, mineral processing and engineering.

Key Rating Drivers

Strengths

Established track record and experienced management

The company was established as a proprietorship firm in 1997 and converted to a private limited company in 2003 by Mr. Soumitra Kothari and Mrs. Rasika Soumitra Kothari. The promoters have more than two decades of experience in the engineering equipments industry.

Reputed customer base and moderate order book position

The company caters to Essar Steel and Power Ltd, Jindal Steel and Power Ltd, Kirloskar Ferrous Industries Ltd, SAIL Steel Plant among others. Further, the company has an unexecuted order book position of Rs.9.94 crore as on 31 March, 2018 from the above mentioned companies which provides revenue visibility in the medium term.

Moderate financial risk profile

The financial risk profile of REPL is moderate marked by tangible net worth of Rs.7.31 crore which includes Rs.2.97 crore considered as quasi equity as on 31 March 2017. The total debt of Rs.9.98 crore outstanding as on 31 March 2017 comprises Rs.1.79 crore as loan from National Small Industries Corporation Limited, Rs.1.71 crore as demand loan from bank and Rs.6.50 crore as working capital borrowing from the bank. The gearing ratio stood at 1.36 times as on 31 March 2017 as against 1.32 times as on 31 March 2016. The Interest Coverage Ratio stood at 1.30 times in FY2017 as against 1.42 times in FY2016. The DSCR stood at 1.22 times in FY2017 as against 1.42 times in FY2016. The Net Cash Accruals stood at Rs.0.41 crore in FY2017 as against Rs.0.72 crore in FY2016. The NCA/TD ratio stood at 0.04 times in FY2017 as against 0.07 times in FY2016.

SMERA believes that REPL will sustain its financial risk profile backed by healthy accruals over the near to medium term.

Weaknesses

Working capital intensive operations

The operations of REPL have remained working capital intensive marked by GCA days of 561 in FY2017 as against 483 days in FY2016. This is on account of high inventory holding period inherent in the capital goods industry. The debtor days stood at 185 for FY2017 as against 179 for FY2016. SMERA believes that the operations of REPL will remain working capital intensive since it caters to the capital goods industry. Further, the average cash credit limit utilisation stood at ~97 percent for the last six months ended 31 March, 2018.

Small scale of operations

The scale of operations is considered to be small with operating income at Rs.7.88 crore in FY2017 as compared to Rs.12.35 crore for FY2016.

Analytical approach

SMERA has considered the standalone business and financial risk profile of REPL to arrive at the rating.

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 liquidity position. Conversely, the outlook may be revised to 'Negative' in case of sharp deterioration in liquidity position and receivables quality.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	7.88	12.35	10.06
EBITDA	Rs. Cr.	2.18	2.20	1.78
PAT	Rs. Cr.	0.02	0.25	0.26
EBITDA Margin	(%)	27.73	17.78	17.73
PAT Margin	(%)	0.29	2.02	2.60
ROCE	(%)	11.77	12.52	14.04
Total Debt/Tangible Net Worth	Times	1.36	1.32	1.04
PBDIT/Interest	Times	1.30	1.42	1.53
Total Debt/PBDIT	Times	4.16	4.02	3.19
Gross Current Assets (Days)	Days	561	483	492

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

CRISIL Ratings in its press release dated March 28, 2018 inter alia has stated the following “CRISIL has been consistently following up with Renuka Equipments Private Limited (REPL) for obtaining information through letters and emails dated April 10, 2017 and May 08, 2017 among others, apart from telephonic communication. However, the issuer has remained non cooperative.”

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Entity in Manufacturing Sector - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History

Date	Name of Facilities	Term	Amount (Rs. Crore)	Ratings/ Outlook
29-Mar-2018	Cash Credit	Long Term	6.50	SMERA B+ (Issuer not co-operating)
	Bank Guarantee	Short Term	6.00	SMERA A4 (Issuer not co-operating)
10-Apr-2017	Cash Credit	Long Term	6.50	SMERA B+/Stable (Assigned)
	Bank Guarantee	Short Term	6.00	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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.50	SMERA BB-/Stable (Upgraded from SMERA B+/Stable)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA A4 (Reaffirmed)

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ABOUT SMERA

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