

Press Release

RHEOPLAST TECHNOLOGY PRIVATE LIMITED

November 14, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 9.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

* 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. 9.00 crore bank facilities of RHEOPLAST TECHNOLOGY PRIVATE LIMITED. The outlook is '**Stable**'.

The Mumbai based-Rheoplast Technology Private Limited (RTPL), incorporated in 2009, was promoted by Mr Parminder Kohli and Mr. Preetpal Singh Kohli and others. The company manufactures construction chemicals such as concrete admixtures, engineering grouts, waterproofing systems, surface treatment systems to name a few. The offices are located at Mumbai, Gurgaon, Bangalore and Kolkata.

Key Rating Drivers

Strengths

- **Experienced management**

RTPL, promoted by Mr. Preetpal Singh Kohli, Mr. Parminder Kohli and Mrs. Veenu Kohli was incorporated in 2009. The promoters have experience of over two decades in the industry and have been able to forge long term relations with customers and suppliers.

Weaknesses

- **Moderate financial risk profile**

The financial risk profile is moderate marked by net worth of Rs.3.84 crore as on 31 March, 2017 (Provisional) compared to Rs.2.77 crore as on 31 March, 2016. The gearing stood at 2.26 times as on 31 March, 2017 (Provisional) compared to 2.88 times in the previous year. The total debt of Rs.8.69 crore as on 31 March, 2017 (Provisional) consists of term loan of Rs.0.84 crore, unsecured loan of Rs.0.79 crore and working capital limit of Rs.7.05 crore. The interest coverage ratio stood at 1.50 times for FY2016-17 (Provisional) compared to 1.39 times for FY2015-16. The DSCR stood thin at 0.96 times for FY2016-17 (Provisional). The Total outside liabilities to tangible net worth stood at 3.62 times for FY2016-17 (Provisional). Further, SMERA believes that the financial risk profile will remain moderate in the absence of debt funded capex.

- **Working capital intensive business**

The operations are working capital intensive marked by high Gross Current Asset days (GCA) of 249 for FY2016-17 (Provisional) compared to 286 for FY2015-16. This is mainly on account of high inventory days which stood at 151 for FY2016-17 (Provisional). The debtors days stood at 98 for FY2016-17 (Provisional). Further, the working capital facility has been fully utilised in the last three months ended August, 2017.

- **Moderate scale of operations**

The company registered revenue of Rs.23.42 crore for FY2016-17 (Provisional) as against Rs.22.34 crore in FY2015-16.

- **Susceptibility to volatility in raw material prices, foreign exchange fluctuation risk**

The company imports chemicals from China, Hong Kong which constitute around 60 percent of purchases. The margins are susceptible to volatility in raw material prices. Significant changes in raw material prices would have an impact on the margins. Hence, the profit margins are exposed to fluctuations in forex rates in the absence of adequate hedging mechanism.

Analytical Approach

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

Outlook: Stable

SMERA believes that RTPL will maintain a stable outlook in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenue and net cash accruals while maintaining better profit margins and improvement in capital structure. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenue and profitability, or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), RTPL reported profit after tax (PAT) of Rs.0.31 crore on operating income of Rs.23.42 crore, compared with PAT of Rs.0.17 crore on operating income of Rs.22.34 crore in FY2015-16. The net worth stood at Rs.3.84 crore as on 31 March, 2017 (Provisional) compared to Rs.2.77 as on 31 March, 2016.

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

None.

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <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 (Upto last three years)

Not Applicable

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA B+ / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A4

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