

Press Release

Rome Switches Private Limited

July 10, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	ACUITE B / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 15.00 crore bank facilities of Rome Switches Private Limited. The outlook is '**Stable**'.

Mumbai based Rome Switches Private Limited (RSPL) was incorporated in June, 2015. The company promoted by Mr. Nagarjun Rao and Mrs. Suryaprabha Rao is engaged in the manufacturing and trading of Modular Switches and Non-Modular Switches.

Key Rating Drivers

Strengths

- **Experienced management**

RSPL was incorporated in June, 2015 by Mr. Nagarjun Rao and Mrs. Suryaprabha Rao. Mr. Rao has an experience of 15 years, which includes an expertise in trade, manufacturing and assembling of switches. He has even provided professional consultancy services for the setting up of switches manufacturing units in Minsk, Estonia, Milano (Italy) and Latvia. Acuite expects RSPL will benefit from extensive experience of the promoters in the industry.

Weaknesses

- **Nascent stage of operations**

RSPL is currently engaged into trading & contract manufacturing and the production is expected to start in July 2018. It is in its initial stage of operations and yet to demonstrate its performance.

- **Project Risk**

RSPL is setting up manufacturing facility in Vasai, Maharashtra. The total expected cost of the project is Rs.11.72 crore which includes Plant and Machinery (imported from China) of Rs.9.45 crore. The company is funding the cost of project through term loan of Rs.7.00 crore, promoter's capital of Rs. 3.84 crore. As informed by the management, the commercial operation was expected to start in January 2018 but late arrival of machinery, the revised start date is expected to be July 01, 2018. Any further delay in the commencement of operations will impact the debt servicing ability of the company.

- **Competitive and fragmented industry**

RSPL is exposed to intense competition from several organized as well as non-organized players in the industry such as Anchor, Havells, MK, Legrand among others which can have an impact on the margins.

- **Susceptible to foreign exchange fluctuations**

RSPL is currently engaged in manufacturing and trading of switches for which it procures material from China and sells it to countries like Dubai and Sri Lanka making it susceptible to foreign exchange fluctuations.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the RSPL to arrive at this

rating.

Outlook: Stable

Acuite believes RSPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	11.04	6.93	0.00
EBITDA	Rs. Cr.	0.45	0.27	0.00
PAT	Rs. Cr.	0.06	0.02	0.00
EBITDA Margin	(%)	4.04	3.89	0.00
PAT Margin	(%)	0.55	0.30	0.00
ROCE	(%)	4.84	5.75	0.00
Total Debt/Tangible Net Worth	Times	1.31	1.42	0.00
PBDIT/Interest	Times	1.25	1.13	0.00
Total Debt/PBDIT	Times	11.55	20.33	0.00
Gross Current Assets (Days)	Days	254	466	0

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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	5.00	ACUITE B / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE B / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4

The Letter of Credit facility is fully interchangeable with Buyers Credit facility

Contacts

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About Acuité Ratings & Research:

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