

Press Release

Rashmi Rare Earth Limited

April 27, 2020

Rating Assigned



Total Bank Facilities Rated*	Rs.50.00 Cr.
Long Term Rating	ACUITE BBB-/Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to Rs.50.00 crores of bank facilities of Rashmi Rare Earth Limited (RREL).The outlook is '**Stable**'.

Rashmi Rare Earth Limited (RREL) was incorporated in 2011 by Mr. Sunil Patwari and Mrs. Sarika Patwari of the Kolkata based Rashmi group. Currently, the day to day operations of the company are managed by Mr. Sunil Kumar Patwari, Mr. Mintu Saha, Mr. Binod Gupta and Mr. Jaiprakash Rai. The company is in the process of installing of 4 Surface Mount Technology (SMT) lines, 6 electronic device assembly line and testing & packaging lines, with an expected completion date of 31st March 2020. Presently, RREL has started generating its revenue from the installed 2 SMT lines and 3 assembly lines. The company has achieved revenue of Rs.15 crores till January 2020 (Provisional) by providing Electronic Manufacturing Services (EMS) to various Clients like Reliance Retail Ltd, LG Electronics India Ltd, Honeywell to name a few.

Standalone (Unsupported) Rating

ACUITE BB-

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of RREL to arrive at the rating. Acuite has also factored in the support of Rashmi group and unconditional and irrevocable personal guarantee by the promoter Mr. Sunil Kumar Patwari to RREL to arrive at the rating.

Key Rating Drivers

Strengths

• Financial flexibility of the Rashmi group

The Rashmi group companies, Rashmi Cement Limited, Rashmi Metaliks Limited and Orissa Metaliks Private Limited are well established in their respective operations. The strong financials of the group companies are reflected by cash profit of Rs.688 crore against revenue of Rs.8650.29 crore in FY2019. The net worth of the group stands at Rs.4605.79 crore as on 31st March'2019. Further, the rating is supported by the experience of the promoter M. Sunil Kumar Patwari, who is the key person in Rashmi group as well. Acuite believes that the healthy financial flexibility of the group companies will benefit the company going forward resulting in steady growth in the scale of operations.

• Healthy order book position

The company has received purchase order from Reliance Retail Limited of Rs.61.79 crore, from Hathway Digital Private Limited of Rs.31.69 crore and from Den Networks Limited of Rs. 37.39 crore. The company has also tied up with LG Electronics India Limited for PCBA. Acuite believes the healthy order book position of the company partly mitigates the offtake risk over the medium term.

• Growing demand coupled with government support

Printed Circuit Boards (PCBs) represent a fundamental component of the electronics industry as it is deployed in almost all the electronic products from consumer gadgets to industrial high-tech products. The Indian electronic devices market has witnessed double digit growth rates driven by rising disposable

incomes and increasing urbanization levels in the country. In addition to this, the miniaturization of semiconductor devices and enhanced functionality in electronic products is expected to drive the demand for more complex PCBs in the near future. The market of mobile phone is also on the increasing trend till 2035 as the smart phone will replace the feature phone in the country. This coupled with support from Central Government under "Make In India" Policy complemented by Uttar Pradesh Government Electronic Manufacturing Policy by way of Capital Subsidy along with various other Subsidies.

Weakness

- **Nascent stage of operations**

Acuite believes that RREL will have to stabilise operations, as the company has ventured in this business and has no such prior experience in the industry.

- **Exposure to intense competition**

The barriers to new entrants in the electronics industry are moderate, so there is always a threat of new players intensifying competition. Also, established players are expanding their capacities to cater to the increasing demand.

Rating Sensitivity

- Stabilization of operations

Material Covenant

None

Liquidity Profile

RREL has stretched liquidity as it is yet to stabilize operations. Acuite expects RREL to earn cash profits in FY2020-21 as the operation of the company has already commenced from January, 2020. Going forward, the liquidity is expected to improve on account of stabilisation of operations.

Outlook: Stable

Acuite believes that RREL will maintain a 'Stable' outlook owing to the growing industry prospects. However, Acuite derives comfort from the financial flexibility of the Rashmi group and the personal guarantee of its key promoter. The outlook may be revised to 'Positive' in case of stability and improvement in profitability and capital structure while improving scale of operations. Conversely, the outlook may be revised to 'Negative' in case of delays in stabilization of operations.

Status of non-cooperation with previous CRA

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-4.htm>
- Entities in Service Sector - <http://acuite.in/view-rating-criteria-8.htm>
- Default Recognition- <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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	4.00	ACUITE BBB- /Stable (Assigned)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	18.00	ACUITE BBB- /Stable (Assigned)
Term Loan	Not Available	Not Applicable	Not Available	28.00	ACUITE BBB- /Stable (Assigned)

Contacts

Analytical	Rating Desk
<p>Pooja Ghosh Head- Corporate and Infrastructure Sector Ratings Tel: 033-6620 1203 pooja.ghosh@acuite.in</p> <p>Kaustav Saha Senior Rating Analyst- Rating Operations Tel: 033-6620-1211 kaustav.saha@acuite.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

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