



SMERA RATINGS LIMITED

Rare Earth Conveyors Private Limited (RECPL)

*Rating
Rationale*

July 09, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit – I*	10.00	SMERA BBB-/Stable (Upgraded from SMERA BB+/Stable)
Cash Credit - II^	14.00	SMERA BBB-/ Stable (Upgraded from SMERA BB+/Stable)
Buyer's Credit – I	12.00	SMERA A3 (Upgraded from SMERA A4+)
Buyer's Credit – II**^	10.00	SMERA A3 (Upgraded from SMERA A4+)

* Includes a sublimit of working capital demand loan of Rs.8.00 crore and a sublimit of bank guarantee of Rs.0.50 crore

** Includes a sublimit of bank guarantee of Rs.1.00 crore

^The total utilisation is restricted to Rs.20.00 crore

SMERA has upgraded the long-term rating to '**SMERA BBB-**' (read as **SMERA triple B minus**) from **SMERA BB+** and a short-term rating of '**SMERA A3**' (read as **SMERA A three**) from **SMERA A4+** to the Rs.42.00 crore bank facilities of Rare Earth Conveyors Private Limited (RECPL). The outlook is '**Stable**'. The upgrade reflects company's healthy growth in revenues, profitability and experienced management. Upgrade also factors in infusion of promoter funds towards its capex plans. However, the ratings are constrained by project execution and customer concentration risks. The ratings are also constrained by the company's exposure to raw material price volatility and competitive market.

Update

RECPL is a Delhi-based company that is in to the marketing of rubber conveyor belts for steel cords and textile with the registered brand of Dura Belt, Dura Cord, Dura power and Dura Grid, while sourcing their products from the various channel partner in India and internationally. The company plans to set up Plant in Dahej, Gujarat for steel cord and as well as textile which will be operational in first quarter of 2017 . One third of the project cost would be funded through promoters fund and balance by bank borrowing. RECPL is exposed to project execution risk owing to the nascent stage of the project. As on June 2015, the promoters have infused capital of Rs. 25.10 crore for which land worth ~Rs. 5.00crore has already been purchased. Ability of the company for timely and successful completion of the project within envisaged cost would be the key rating sensitivity.

RECPL reported profit after tax (PAT) of Rs.3.24 crore (provisional) on operating income of Rs.133.72 crore (provisional) for FY2014-15, as compared with PAT of Rs.2.68 crore on operating

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income of Rs.112.20 crore for FY2013-14. The company's operating profit margin improved to 5.19 percent in FY2014-15 (provisional) from 4.19 percent in FY2013-14. The company's net worth stood at Rs.16.07 crore as on March 31, 2015 (provisional), as compared with Rs.13.11 crore a year earlier.

Outlook: Stable

SMERA believes that the outlook on RECPL's facilities will remain stable over the medium term on account of the company's healthy revenue visibility. The outlook may be revised to 'Positive' in case the company achieves higher-than-expected revenues while registering healthy profit margins and maintaining margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile and liquidity pressure on account of delays in project execution and decline in revenues and profitability.

About the Company

RECPL, incorporated in 2007 (the erstwhile Rare Earth International, a partnership firm) is a Delhi-based company promoted by Mr. Rakesh Khurana and Mr. Pankaj Khurana and is engaged in the processing of rubber conveyor belts.

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