



SMERA RATINGS LIMITED

RPS Vikas Castings Pvt. Ltd. (RPS)

Rating Rationale

January 22, 2014

Facilities	Amount (Rs. Crore)	Rating
Term Loan	4.02	SMERA B-/Stable (Assigned)
Cash Credit	6.00	SMERA B-/Stable (Assigned)

SMERA has assigned a rating of **'SMERA B-' (read as SMERA single B minus)** to the Rs.10.02 crore bank facilities of RPS Vikas Castings Pvt. Ltd. (RPS). The outlook is **'Stable'**. The rating is constrained by the company's moderate scale of operations and susceptibility to raw material price volatility amidst intense competition prevalent in the auto components industry. The rating is further constrained by the company's weak debt protection metrics and exposure to inherent cyclicity in the automobile industry. However, the rating derives comfort from the company's long track record of operations and experienced management.

RPS, incorporated in 2004, is a Faridabad-based company engaged in manufacturing of exhaust manifolds and differential cases used in automobiles. RPS has a small scale of operations with net sales of Rs.68.03 crore in FY2012-13 (refers to financial year, April 01 to March 31). The company's profit margins are highly susceptible to volatility in prices of raw materials, which include pig iron, cast iron scrap and metal steel scrap. RPS maintains a price escalation clause in its contracts with customers. However, the company's ability to pass on increase in raw material cost is limited and the incremental cost is recovered after a time lag. RPS has weak debt protection metrics with high leverage at 12.56 times as on March 31, 2013 and low interest coverage ratio of 0.28 times in FY2012-13. The company's net worth is low at Rs.2.53 crore as on March 31, 2013. RPS mainly caters to the automobile industry, which is currently undergoing a slowdown.

RPS benefits from its experienced management. Mr. Praveen Agarwal, Director of RPS, has around three decades of experience in the automobile component industry.

Outlook — Stable

SMERA believes RPS's outlook will remain stable in the near term on the back of the company's established track record of operations and experienced management. The outlook may be revised to 'Negative' in case of the company registers lower-than-expected revenues and profit margins. Conversely, the outlook may be revised to 'Positive' in case the company generates larger-than-expected cash flows with successful sourcing and execution of new orders.

About the company

RPS, incorporated in 2004, is a Faridabad-based company engaged in manufacturing of exhaust manifolds and differential cases used in automobiles. RPS is owned and managed by Mr. Abhimanyu Sharaf and Mr. Praveen Agarwal. The company has a manufacturing unit in Hodal, Haryana, with an installed capacity of 9,000 metric tonnes per annum.

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For FY2012-13, RPS reported net loss of Rs.4.33 crore on operating income of Rs.69.73 crore, as compared with net profit of Rs.0.39 crore on operating income of Rs.69.45 crore for FY2011-12. The company's net worth stood at Rs.2.53 crore as on March 31, 2013, as compared with Rs.2.43 crore a year earlier.

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