

Rating Advisory

November 06, 2020 | Mumbai

Rajasthan Powergen Transformer Private Limited

Advisory as on November 06, 2020

This rating advisory is provided in relation to the rating of Rajasthan Powergen Transformer Private Limited

The key rating sensitivity factors for the rating include:

Upward:

- Sustained Improvement in operating income and operating margin leading to better cash accruals
- Improvement in working capital management with GCA getting reduced to around 100-110 days

Downward:

- Decline in operating profitability from existing levels of 5.2%, hence, impacting the accrual
- Weakening of financial risk profile on account of high working capital requirement or significant debt funded capex

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL is yet to receive adequate information from Rajasthan Powergen Transformer Private Limited (RPTPL) to enable it to undertake a rating review. CRISIL is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

If RPTPL continues to delay the provisioning of information required by CRISIL to undertake a rating review then, in accordance with circulars SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt. Nov 1, 2016, SEBI/HO/MIRSD/ MIRSD4/CIR/P/2017/71 dt. June 30, 2017 and SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dt January 3, 2020 issued by Securities and Exchange Board of India, CRISIL will carry out the review based on best available information and issue a press release.

About the Company

RPTPL, incorporated in 2010, manufactures distribution transformers and power transformers for various state electricity boards in India. The company is promoted by Mr Laxmichand B. Jain, Mr Jeevaram Choudhary and their families, and operations are managed by Mr Samermal Jain, who is based in Sanchore, Rajasthan. Marketing vertical is handled by Mr Arvind S. Jain.

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Rating Rationale

August 27, 2019 | Mumbai

Rajasthan Powergen Transformer Private Limited

Long-term rating upgraded to 'CRISIL BB/Stable' ; short-term rating reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.14.5 Crore
Long Term Rating	CRISIL BB/Stable (Upgraded from 'CRISIL BB-/Stable')
Short Term Rating	CRISIL A4+ (Reaffirmed)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has upgraded its rating on the long-term bank facilities of Rajasthan Powergen Transformer Private Limited (RPTPL) to '**CRISIL BB/Stable**' from 'CRISIL BB-/Stable'. The short-term rating has been reaffirmed at 'CRISIL A4+'.

The upgrade reflects improvement in business risk profile marked by improved scale of operations reflected by y-o-y growth of 60% reaching Rs 65.32 crore in fiscal 2019, against Rs 40.82 crore in fiscal 2018. Crisil believes that business risk profile will further improve over the medium considering moderate order book of Rs. 35.00 crore over the medium term. Financial risk profile is comfortable with gearing reaching below 1 time as in March 31, 2019 (gearing was at 1.5 times as on March 31, 2018). Crisil believes that gearing will further improve as there is no major debt funded capital expenditure over the medium term.

The ratings continue to reflect the extensive experience of RPTPL's promoters in the transformers and steel industry, its presence across various states in India and above average financial risk profile. These strengths are partially offset by large working capital requirement and moderate scale of operation.

Key Rating Drivers & Detailed Description

Strengths

* **Extensive experience of the promoters:** Benefits from the promoters' entrepreneurial experience of over 25 years and healthy relations with customers in India (in Andhra Pradesh and Telengana) and abroad (in Kenya and Nepal), should continue to support the business. The company is approved by electricity boards in Gujarat, Rajasthan, and Madhya Pradesh, leading to diversification in revenue. Further RPTPL scale of operations improved in fiscal 2019 supported by diversified customers.

* **Improved financial risk profile:** Despite small networth of Rs 5.93 crore as on March 31, 2019, RPTPL's financial risk profile have improved reflected by gearing below 1 time as on March 31, 2019, against 1.46 times as on March 31, 2018. Debt protection metrics remain above average on account of interest coverage ratio and net cash accruals to adjusted debt of 2.6 times and 0.38 time respectively in fiscal 2019. Crisil believes that RPTPL financial risk profile remain comfortable over the medium term in absence of major debt funded capex plan.

Weaknesses

* **Large working capital requirement:** Operations continue to be working capital intensive despite improvement in gross current assets to 155 days as on March 31, 2019 from 196 days two years ago. Working capital requirement is expected to remain large over the medium term. Crisil believes that operations will continue to remain working capital intensive over the medium term.

* **Moderate scale of operations:** RPTPL's scale will remain moderate despite improvement in the scale of operation to Rs 65.32 crore in fiscal 2019, against Rs 40.82 crore in previous fiscal. Further, sustainability of scale will remain a key monitorable. In addition to this scale of operation is comforted by orders from various state government like Gujrat, Rajasthan and Madhya Pradesh etc.

Liquidity: Adequate

Liquidity is adequate. Reflected by expected net cash accrual at Rs 2.8-3.1 crore over the medium term, should comfortably cover repayment obligation of Rs 0.13 crore till fiscal 2020 and support liquidity. Bank limit of Rs 5 crore was highly utilized 89% over the 12 months through May 2019. Current ratio, at 1.28 times as on March 31, 2019, is expected to remain healthy at similar levels over the medium term. Moreover, need-based funding support from the promoters in the form unsecured loans (Rs 5.67 crore as on March 31, 2019) is expected to continue.

Outlook: Stable

CRISIL believes RPTPL will continue to benefit from the extensive experience of its promoters.

Rating Sensitivity Factor

Upward Factor

- * Sustained Improvement in operating income and operating margin leading to better cash accruals
- * Improvement in working capital management with GCA getting reduced to around 100-110 days

Downward Factor

- * Decline in operating profitability from existing levels of 5.2%, hence, impacting the accrual
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About the Company

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Key Financial Indicators

As on/for the period ended March 31	Unit	2019	2018
Operating income	Rs crore	65.32	40.82
Reported profit after tax	Rs crore	1.86	1.28
PAT margin	%	2.84	3.07
Adjusted debt/Adjusted networth	Times	0.96	1.46
Interest coverage	Times	2.6	2.1

Status of non cooperation with previous CRA

RPTPL has not cooperated with Care Ratings, which marked its ratings as non-cooperative vide a release dated July 31, 2019. The reason provided by Care Ratings was non-furnishing of information by RPTPL for monitoring the ratings.

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Cr)	Rating assigned with outlook
NA	Bank Guarantee	NA	NA	NA	8.35	CRISIL A4+
NA	Cash Credit	NA	NA	NA	4.00	CRISIL BB/Stable
NA	Long Term Loan	NA	NA	31-Jan-2020	2.15	CRISIL BB/Stable

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2019 (History)		2018		2017		2016		Start of 2016
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	6.15	CRISIL BB/Stable			18-07-18	CRISIL BB-/Stable	23-05-17	CRISIL BB-/Stable		--	--
Non Fund-based Bank Facilities	LT/ST	8.35	CRISIL A4+			18-07-18	CRISIL A4+	23-05-17	CRISIL A4+		--	--

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Bank Guarantee	8.35	CRISIL A4+	Bank Guarantee	8.35	CRISIL A4+
Cash Credit	4	CRISIL BB/Stable	Cash Credit	4	CRISIL BB-/Stable
Long Term Loan	2.15	CRISIL BB/Stable	Long Term Loan	2.15	CRISIL BB-/Stable
Total	14.5	--	Total	14.5	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

[Rating Criteria for Engineering Sector](#)

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