



sRating Rationale

Ramco International

17th October 2017

Brickwork Ratings assigned the ratings for the Bank Loan Facilities of Rs. 16.75 Crs of Ramco International.

Particulars

Limits	Limit to be rated (Rs.crs)	Tenure	Rating
Fund based limits			
Packing Credit	**13.50	Long term	BWR BB- (pronounced BWR double B minus). Outlook: stable
FOBP/FOUBP/FAUBC	**2.50		
FOBNL/FOUBNLC	**8.00		
FBWC ceiling	16.00		
Total fund based limits	16.00		
Non fund based limits			
FLC (DP/DA)	0.75	Short term	BWR A4 (pronounced BWR A four)
NFB limit ceiling	0.75		
Total NFB	0.75		
Total	16.75	INR Sixteen crores and seventy five lakhs only	

* For definition of the ratings please refer to our website www.brickworkratings.com

** Overall Fund Based Working Capital Ceiling is Rs.16.00 crs. However the individual limits for all the FBWC facilities is capped as given in the above table.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financials from FY14 to FY16 along with provisional financial of Fy17, projections and publicly available information and information/clarifications provided by the management

The rating continues to factor, inter- alia, the firm's existence and relevant experience of partners in the business, increase in net worth, moderate current ratio and low customer concentration risk.

Key Rating Determinants:

Credit Strengths

- 1.) The firm has sustained as a partnership firm and been in business with satisfactory records of repayment on bank facilities as per bankers feedback.
- 2.) Management experience (involving both partners) of 22 yrs.

- 3.) Y-o-Y, increase of Net worth, due to ploughing back of profits into business, from Fy14 to Fy17 and simultaneously inclusion of partner's remuneration, into the business. (as shown in increase in share capital)
- 4.) Moderate current ratio maintained at 1.25x, as per financials of Fy16 & Fy17.
- 5.) Low customer concentration risk
- 6.) The firm meets all external regulation and quality checks and is a ISO9002 certified company.

However, the ratings are **constrained by**, reduction in revenues, alongside reduction in operating margins in FY17, marginal increase in gearing ratios, moderate risk of foreign exchange fluctuations.

Credit Concerns

- 1.) Reduction in revenues (21.47%) in Fy17 to Rs.61.74crs as compared to Rs.78.62crs in the previous year.
- 2.) Simultaneously, reduction of operating (OPBDIT) margin from 5.02% in Fy16 to 3.25% in FY17.
- 3.) Marginal increase in D/E ratio from 1.13x in Fy16 to 1.27x in FY17, due to increase in utilization of packing credit
- 4.) High day's payable of 84 days in Fy16 and 96 days in Fy17
- 5.) Moderate risk of foreign exchange fluctuations since volatility in Forex rates which directly effects the topline of the firm.

Going forward the ability of the firm to increase it's revenue and vis-a vis, increase operating profit margins, reduce it's payable turnover days, and hedging risk of forex fluctuations would be the key rating sensitivities.

Analytical Approach:

Rating Criteria links are given in the end

About the Company :

Ramco International located in Jalandhar was incorporated in 1995, by the partners, Mr. Mangat Rai and Mr. Vanish Jain. The firm manufactures a range of Garden & construction tools that meets all BSI, ANSI & DIN standards. "Ramco International" is ISO 9002 certified company. In addition to the tools they also manufacture various Garden Accessories like Sprinklers, Carpentry Tools, Jack Plane, Hanging Baskets, Plant Stands. They supply these products to large sheds, manufactures & tool companies in UK, American & European markets.

Company Financial Performance:

Reduction of 21.74% in revenues as per provisional FY17 financials in comparison to audited Fy16 financials. Simultaneously, increase of 1.17% in TNW in FY17, however marginal deterioration in gearing ratio in Fy17 of 1.27x from 1.13.x in Fy16.

Key Financial ratios:

Particular	FY 2015-16	FY2016-17
Net Sales (Rs Cr)	78.62	61.74
EBITDA (Rs Cr)	3.95	2.01
PAT (Rs Cr)	1.04	0.88
Tangible Net Worth (TNW) (Rs Cr)	10.25	10.37
Total Debt/TNW	1.13X	1.27X
Current Ratio	1.25X	1.25X

Rating History for the last three years (including withdrawn/suspended ratings)

Sl. No.	Instrument/Facility	Current Rating (Year 2017)			Rating History		
		Type (Long Term/Short Term)	Amt (Rs Crs)	Rating Present	2016	2015	2014
	Fund Based Packing credit (PCFC)	Long Term	**13.50	BWR BB- (Outlook: Stable)	NA	NA	-
	FOBP/FOU BP/FAUBC		**2.50				
	FOBNL/FOUBNLC		**800				
	Non-fund based FLC (DP/DA)	Short term	0.75	BWR A4	NA	NA	-
	Total		16.75	INR Sixteen Crores and Seventy Five Lakhs only			

**** Overall Fund Based Working Capital Ceiling is Rs. 16.00 crs. However the individual limits for all the FBWC facilities is capped as given in the above table**

Status of non-cooperation with previous CRA - Not Applicable

<p>Hyperlink/Reference</p> <ul style="list-style-type: none"> • General Criteria • Approach to Financial Ratios 	<p>to</p>	<p>applicable</p> <ul style="list-style-type: none"> • Short term rating 	<p>Criteria</p>
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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

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