Rating Rationale

Rheoplast Technology Pvt. Ltd. **21 Jan 2019**

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 9.00 Crores of Rheoplast Technology Pvt. Ltd.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based			
Cash Credit	**7.00**	**Long Term**	**BWR BB-** (Pronounced as BWR Double B Minus) **(Outlook: Stable)**
Non Fund Based			
Letter of Credit	**2.00**	**Short Term**	**BWR A4** (Pronounced as BWR A Four)
Total	**9.00**	**INR Nine Crores Only**	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial statements of Rheoplast Technology Pvt Ltd(RTPL) upto FY18, provisional financials upto November 2018, projected financials upto FY21, publicly available information and information/clarifications provided by the company's management.

The rating derives its strength from the experience of the promoters and growth in terms of revenue and profitability. However, the rating is constrained by moderate financial risk profile and working capital intensive operations.

Going forward, ability of the company to improve its scale of operations, profitability, liquidity profile & capital structure by infusion of additional capital as projected will be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

Experience of the promoters:

Longstanding experience of over two decades of the promoter, Mr Preetpal Singh Kohli in the construction chemical industry, and his healthy relationships with customers and suppliers, will continue to support the business risk profile.

Growth in terms of revenue and profitability:

There has been an increasing trend in the revenue of an average of 10% each year in the last three fiscals. The company recorded net revenue of Rs. 23.80crs in FY18 vis-a-vis Rs. 21.63crs in FY17, the same was affected by taxation changes in fiscal 17-18. Net Profit Margins and Operating Profit Margins showcase an increasing trend.

Credit Risks:

Moderate financial risk profile:

RTPL has modest Adjusted Tangible Net Worth of Rs. 5.75crs and high gearing ratio (adjusted) of 1.64 times FY18. The company has below average ISCR of 0.89 times and 1.12 times of DSCR in FY18, keeping the debt coverage metric muted.

Working capital intensive operations:

The company has working capital intensive operations as showcased by conversion cycle of 183 days in FY18 due to high inventory days and marginally mismatched receivables and payable days. The current ratio of the company however is 1.41 times in FY18.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Liquidity Profile:

RTPL has no liquid investments and Cash & bank balances were Rs. 1.31Crs as on March 31 2018. Current ratio is average at 1.41 times. The long term borrowings mainly unsecured loans is at Rs.4.20crs with current portion of maturing debt in FY18 of Rs. 0.16crs. The firm has over utilisation of working capital and average utilization for the nine months period (April 2018 to December 2018) is 100.82%, The average conversion cycle is at 183 days. The company has below average debt protection metrics as

seen by ISCR & DSCR at 0.89 times and 1.12 times respectively as on March 31 2018. The company had not submitted cash flow statement.
Holding/Subsidiary Company: NA

Rating Outlook: Stable

BWR believes the **Rheoplast Technology Pvt. Ltd's** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Rheoplast Technology Pvt Ltd('The Company' or 'RTPL') was incorporated on 3rd June 2009. The main line of business is manufacturing of construction chemicals.Currently promoted by Mr. Preetpal Singh Kohli. The company manufactures concrete admixtures, engineering grouts, mould release agent, pumping grout etc. Headquartered in Mumbai, RTPL's manufacturing facilities are located in Navi Mumbai, Karnal and Kolkata.

Company Financial Performance

As per the Audited Financials of FY18 the company has reported a revenue of Rs 23.80crs with PAT of Rs 0.37crs vis-a-vis Rs 21.63 crs & PAT of Rs. 0.26 crs in FY17. The operating profit margin and net profit margin are 4.42% and 1.55% in FY18 respectively. The performance is expected to improve in FY19.

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		**Audited**	**Audited**
Operating Revenue	₹ Cr	23.80	21.63
EBITDA	₹ Cr	1.05	1.44
PAT	₹ Cr	0.37	0.26
Tangible Net worth (Adjusted)	₹ Cr	5.75	3.68
Total Debt/Tangible Net worth (Adjusted)	Times	1.64	2.24
Current Ratio	Times	1.41	1.24

Rating History for the last three years

S.No	Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	2018	2017	2016
1.	**Fund Based**	Long Term	7.00	**BWR BB- (Pronounced as BWR Double B Minus) (Outlook: Stable)**	**NA**	**NA**	**NA**
2.	**Non Fund Based**	Short Term	2.00	**BWR A4 (Pronounced as BWR A Four)**			
	Total		**9.00**	**₹ Nine Crores Only**			

Status of non-cooperation with previous CRA- ACUITE B+/A4 Issuer Not Co-operating assigned on 18th December 2018, due to lack of information.

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Short Term Debt**
- **Manufacturing Companies**

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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

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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