Rating Rationale

Royal Kitchen Appliances Private Limited(RKAPL)

2 May 2018

Brickwork Ratings revises the ratings for the Bank Loan facilities of Rs. 11.05 Crores of Royal Kitchen Appliances Private Limited(RKAPL or The Company).

<u>Particulars:</u>

Facilities	Tenure	Previous Rated (In Crs)	Current Rated Amount (IN Crs)	Previous Rating	Rating Assigned*
Fund Based					
CC	Long Term	7.50	7.50	BWR B(Pronounced As BWR B) Outlook: Stable	BWR D (Pronounced As BWR Single D) (Downgrade)
Non Fund Based					
BG	Short Term	2.15	2.15	BWR A4 (Pronounced As BWR A Four)	BWR D (Pronounced As BWR Single D) (Downgrade)
LC		1.40	1.40		
Amount to be rated		**11.05**	**11.05**	**INR. Eleven Crores and Five Lakhs Only**	

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results up to FY17, publicly available information and information/ clarifications provided by the management.
The rating draws comfort from the extensive experience of the promoters.

The rating is, however constrained by, small scale of operations, stiff competition in the kitchen appliances industry, volatility in raw material prices, low profit margins and delays in servicing of the debt.

Key Rating Drivers

Strengths

Extensive Experience of the promoters: The promoter director of the company Mr.Suresh Kumar Aggarwal has more than 2 decades of experience.

Weakness:

- **Small Scale of Operations :** The TOI of the company has declined by 4.24% from INR 14.53 Crs in FY16 to INR13.59 Crs in FY17.The said decline is observed due to demonetization done in November 2016.

- **Susceptibility of operating margin to volatility in raw material prices:** RAKPL operating margin is susceptible to volatility in prices of steel and aluminium. The company revises the prices of its products annually. Any increase in raw material prices has to be absorbed by the company till the next price revision. Hence, the company's operating margin will continue to remain susceptible to volatility in raw material prices.

- **Exposure to intense competition:** Royal Kitchen Appliances mainly manufactures kitchen appliances especially pressure cookers. The kitchen appliances industry is highly competitive, with players such as TTK Prestige Ltd , Hawkins Cookers Ltd, Maharaja Appliances Ltd,etc competing directly with Royal in some of its product segments. Some of the competitors such as TTK, have a pan-India presence and have an established brand presence across product categories. Intense competition in the kitchen appliances industry will continue to constrain RKAPL's business risk profile over the medium term.

About the Company

Royal Kitchen Appliances Pvt. Ltd. (RKAPL) was incorporated in June 2014, by Mr. Suresh Agarwal by taking over by promoter's proprietary firm 'Royal Appliances'. The company is engaged in manufacturing of pressure cooker, utensils and other kitchen appliances. The company's manufacturing facility is located at Sonepat, Haryana and registered office at New Delhi. The company derives maximum revenue by selling pressure cooker under its own brand 'Tempo' and being a OEM supplier for well-known and established Indian brands. RKAPL has an installed capacity to produce 1 lakh pressures cookers per month.

Company's Financial Performance.

Key Financials			
[redacted]		**31/Mar/2016**	**31/Mar/2017**
		Audited	Audited
Total Operating Income`	Crs	14.53	13.59
OPBDIT	Crs	0.97	2.39
PAT	Crs	0.04	0.04
Tangible Net Worth	Crs	5.86	5.90
TOL/TNW	Times	2.73	2.52
Current Ratio	Times	1.08	1.12

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

Facilities	**Rating Assigned in 2018**			**Rating History**		
	Amount to be Rated (In Crs)	**Tenure**	**Rating Assigned**	**2017**	**2016**	**2015**
CC	7.50	Long Term	BWR D Downgrade	BWR B Outlook: Stable	BWR B Outlook: Stable	NA
BG	2.15	Short Term		BWR A4	BWR A4	NA
LC	1.40					
Total	**11.05**	**INR. Eleven Crores and Five Lakhs Only**				

Status of non-cooperation with previous CRA (if applicable) – NA
Any other information – NIL

Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website

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For print and digital media

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Note on complexity levels of the rated instrument:
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About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been 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 Nationalized 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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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