



Press Release

Raj Process Equipments & Systmes Private Limited (RPESPL)

December 13, 2022

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	39.30 (Increased from 38.40)	IVR BB/Stable (IVR Double B with Stable Outlook)	Revised	Simple
Total	39.30 (Rupees Thirty Nine Crore and Thirty Lacs only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in the ratings assigned to the bank facilities of Raj Process Equipment & Systems Private Limited (RPESPL) factors in improvement in the scalability and profitability along with improvement in capital structure of the company in FY22. The ratings continue to factor in the long track record of promoters in the industry and location advantage along with reputed clientele in the customer mix. The ratings are, however, constrained by RPESPL's exposure to intense competition in industry, susceptibility of RPESPL's profitability to volatility in the price of raw material and working capital intensive nature of the business.

Key Rating Sensitivities

Upward Factor

- Substantial and sustained increase in scale of operations and significant improvement in liquidity position of the company
- Significant improvement in debt protection parameters and liquidity position of the company.



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Downward Factor

- Any decline in operating income and/or profitability leading to deterioration in overall financial risk profile of the company and further deterioration in operating cycle.
- Any decline in operating income and/or profitability leading to deterioration in overall financial risk profile of the company

Detailed Description of Key Rating Drivers

Key Rating Strengths

Extensive experience of the promoters

RPESPL promoters have a substantial experience in the industrial machinery fabrication industry spanning decades. While Mr. Anilraj and Mr. Vijayraj has an industry experience of more than two decades while Mr. Vasant has an experience of around 40 years. Long presence in the highly dynamic industrial machinery added to various quality certifications have enabled the company to garner some reputed customers in its almost two decades of existence. Further, the directors are well supported by an experienced team of professionals.

Location advantage with presence in Pune, reputed clientele in the customer mix

The company units remain present in periphery of Pune which entrusts location advantage. Being present in the industrial belt of Pune also provides benefits in terms of proximity to customers and suppliers among others. Logistically, also Pune remains well connected by surface and air transport modes while the nearest ports lie within the radius of 200 kms rendering the location suitable for exports. The company client mix also consists of Gujarat Alkalies and Chemicals Ltd., SFC Environmental Tech Pvt. Ltd., Coromandal International Ltd. and Gujarat State Fertilizers and Chemicals Ltd. amongst others.

Improvement in Scalability and Profitability of the company in FY22

RPESPL's top line improved by 91% in FY22 compared to FY21 mainly due to newly added customers in client mix and more number of contract executed in FY22. Company reported topline of Rs.81.70 crore in FY22 compared Rs.42.80 crore in FY21. Company's PBT and PAT improved compared to FY21. Company reported PBT, PAT



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of Rs.4.37 crore and Rs.4.23 crore in FY22 respectively compared to PAT of Rs. 2.03 crore in FY21. Company has registered a sales of Rs.79.74 crore for the 6MFY23.

Improvement in capital structure of the company in FY22

Capital structure of the company improved in FY22 due to overall improvement in financial indicators of the company. Capital structure of the company improved compared to FY21. Interest coverage ratio improved from 0.78x in FY21 to 3.73x in FY22. Overall gearing ratio improved from 0.77x in FY21 to 0.66x in FY22 while TOL/TNW improved from 1.86x in FY21 to 1.60x in FY22.

Key Rating Weaknesses

Working Capital intensive nature of operations

The company's operations remain working capital intensive in nature marked by high inventory holding and collection period, while the inventory days remained at 583 days in FY2021 and 343 days in FY2022, the debtor days remained at 333 days in FY2021 and 182 days in FY2022. The operating cycle remained at 584 days in FY2021 and 339 days in FY2022 resulting in dependence on external borrowings as indicated by average utilisation of the CC limits stood at more than 90% over the past 12 months ended in October 2022 indicating pressure on liquidity. Optimization of the working capital indicators at suitable levels thereby moderating the dependence on external borrowings will be a key monitorable, going forward

Vulnerability to raw material and forex fluctuations

The company profitability remains vulnerable to raw material price. Similarly, given the notable quantum of exports in the revenue mix, the company remains exposed to foreign exchange fluctuations in the form of absence of natural hedge in the form of imports or receivable hedging practices. Their adequate management remains crucial for the overall profitability of the company

Analytical Approach: Standalone



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Applicable Criteria:

[Criteria of assigning rating Outlook](#)

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

Liquidity- Stretched

The liquidity position of the company is remained stretched due to high working capital intensive operations of the company. Average utilization of fund based working capital limits stood high at 92.26% for the twelve months ended October 2022. Operating cycle remained elongated to 339 days in FY22. Current ratio and quick ratio were remained at 1.48x and 0.70x respectively as on March 31, 2022. Company needs additional funds to support the growth either by way of incremental working capital funding and/or infusion of capital.

About the Company

Incorporated in the year 2003, Raj Process Equipments & Systems Pvt.Ltd. is engaged in manufacturing of process equipment and executes turnkey contracts for chemical, pharmaceutical and food processing industries. The range of products equipment manufactured includes dryers, evaporators, powder & paste mixers which find application in various industries. The ISO 9001-2008/ ISO 14001/ BS OHSAS18001 Pune based company also to an extent executes turnkey projects including design, manufacture, and erection commissioning of range of industries. The company is promoted by Mr. Anilraj V. Pise and Mr. Vijayraj V. Pise having more than two decades of professional experience along with them, Mr. Vasant E. Pise having around four decades of experience in this business



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Financials (Standalone)

(Rs. crore)

For the year ended / As On*	31-03-2021 (Audited)	31-03-2022 (Audited)
Total Operating Income	42.80	81.70
EBITDA	3.25	17.01
PAT	2.03	4.23
Total Debt	35.92	33.47
Adjusted Tangible Net Worth	47.53	50.85
Ratios		
EBITDA Margin (%)	7.60	20.81
PAT Margin (%)	4.19	5.13
Overall Gearing Ratio (Adjusted) (x)	0.74	0.66

*As per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (October 25, 2021)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1	Cash Credit	Long Term	27.00	IVR BB/ Stable	IVR BB/ Stable	-	-
2	Term Loan	Long Term	3.60	IVR BB/ Stable	IVR BB/ Stable	-	-
3	WCTL	Long Term	2.70	IVR BB/ Stable	IVR BB/ Stable	-	-
4	Bank Guarantee	Long Term	6.00	IVR BB/ Stable	IVR BB/ Stable	-	-



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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Term Loan	-	-	September 2024	3.60	IVR BB/ Stable
WCTL	-	-	November 2026	2.70	IVR BB/ Stable
Cash Credit	-	-	-	27.00	IVR BB/ Stable
Bank Guarantee	-	-	-	6.00	IVR A4

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-RajProcess-dec22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.