



## Press Release

### Raj Process Equipments & Systems Private Limited (RPESPL)

August 10, 2023

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	37.80 (Reduced from 39.30)	IVR BB+/ Stale (IVR Double B plus with Stable Outlook)	Revised
<b>Total</b>	<b>37.80</b> <b>(Rupees Thirty Seven</b> <b>Crore and Eighty Lacs</b> <b>Only)</b>		

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 overall financial profile of the company. The ratings continue to factor in extensive experience of the promoters and location advantage with presence in Pune, reputed clientele in the customer mix and healthy order book position. The ratings, however, continues to be constrained by working capital intensive operation, vulnerability to raw material and forex fluctuations.

#### Key Rating Sensitivities:

##### Upward Factors

- Substantial and sustained increase in scale of operations while maintaining the profitability and debt protection parameters.
- Improvement in the working capital cycle as projected.

##### Downward Factors

- 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.



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### List of Key Rating Drivers with Detailed Description

#### 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 industry along with various quality certifications have enabled the company to garner 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 & healthy order book position.**

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 consists of industries from different sectors enabling it to cushion itself from any downtrend in any particular sector. The company is also forefront in introducing different technology which gives it an advantage over its competitors. Company has unexecuted order book of Rs.783 crore as on June 2023.

##### **Improvement in overall financial profile of the company.**

RPESPL's top line increased from Rs.81.70 crore in FY22 to Rs.204.20 crore in FY23. Company's top line increased by 150% mainly due to greater execution of orders in FY23. Company's PBT and PAT improved from Rs.4.37 crore, Rs.4.23 crore respectively in FY22 to Rs.13.77 crore, Rs.7.56 crore respectively in FY23. In FY23, Company's EBITDA margins moderated to 8.56% from 20.81% in FY22. In FY22 EBITDA margins were higher as company executed few orders where the margins were higher. Subsequently, in FY23 the EBITDA margins moderated at historical range.

RPESPL's overall capital structure improved in FY23. Overall gearing ratio and TOL/TNW improved from 0.66x, 1.60x respectively in FY22 to 0.29x, 1.48x respectively in FY23. Company's interest coverage ratio improved from 3.73x in FY22 to 4.13x in FY23 mainly due



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to improvement in EBITDA and reduction in finance cost. For Q1FY24, Company reported sales of Rs.70.17 crores (Q1FY23:Rs.29.29 crore)

### **Key Rating Weaknesses**

#### **Working capital intensive nature of operation**

The operating cycle remained elongated and stood at 143 days in FY23 mainly on account of high inventory days of around 113 days, whereas creditors days stood moderated at around 54 days. This indicates working capital-intensive operations of the companies, as a result of the same its working capital limits on combined basis utilized around 72%% during the past 12 months ended as on March 31, 2023. Infomerics believes that being engaged in capital goods industry, the group's operations will continue to remain working capital intensive. Going ahead, the ability of the group to efficiently manage its working capital requirements will remain the key rating sensitivity

#### **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

### **Applicable Criteria:**

[Criteria for assigning outlook](#)

[Rating Methodology for Manufacturing Companies](#)

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



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### **Liquidity – Adequate**

The liquidity position of the company is adequate as the expected gross cash accruals of the company are likely to remain favourable relative to its debt-servicing obligations during FY24-FY26. Moreover, the company does not have any major capital expenditure plan in the near to medium term. Further, Company has reported comfortable current ratio at 1.49x as on March 31, 2023.. Company's average working capital utilization for twelve months ended March 2023 stands comfortable at 72%. It has cash and bank balance of Rs.0.61 crore as on March 31st, 2023

### **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.

### **Financials (Standalone):**

**Rs in Crore**

For the Year ended*/As on	31-March-22 (Audited)	31-March-23 (Audited)
Total Operating Income	81.70	204.20
EBITDA	17.01	17.49
PAT	4.23	7.56
Total Debt	33.47	17.90
Tangible Net Worth	50.85	62.45
EBITDA Margin (%)	20.81	8.56
PAT Margin (%)	5.13	3.65
Overall Gearing ratio(X)	0.66	0.29

\*As per Infomerics standards

**Status of non-cooperation with previous CRA: Nil**



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Any other information:

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (December 13, 2022)	Date(s) & Rating(s) assigned in 2021-22 (October 25, 2021)	Date(s) & Rating(s) assigned in 2020-21
1.	Cash Credit	Long Term	27.00	IVR BB+/Stable	IVR BB/Stable	IVR BB-/Stable	-
2.	Term Loans	Long Term	2.70	IVR BB+/Stable	IVR BB/Stable	IVR BB-/Stable	-
3.	WCTL	Long Term	2.10	IVR BB+/Stable	IVR BB/Stable	IVR BB/Stable	
4.	Bank Guarantee	Long Term	6.00	IVR BB+/Stable	IVR BB/Stable	IVR BB/Stable	-

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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks. Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit [www.infomerics.com](http://www.infomerics.com).

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### Annexure 1: Details of Facilities





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Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	27.00	IVR BB+/ Stable
Term Loans	-	-	September 2024	2.70	IVR BB+/ Stable
WCTL	-	-	November 2026	2.10	IVR BB+/ Stable
Bank Guarantee	-	-	-	6.00	IVR BB+/ Stable

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

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/len-rpes-aug23.pdf>

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

**Annexure 5: Complexity level of the rated Instruments/Facilities**

**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](http://www.infomerics.com).