

## Rockwell Industries Limited

Instrument	Amount In Rs. Crore	Rating Action
Fund Based Limits	24.35	[ICRA]BBB-(stable) assigned
Non Fund Based Limits	12.65	[ICRA]A3 assigned

ICRA has assigned the long term rating of [ICRA]BBB- (pronounced ICRA triple B minus) to Rs. 24.35 crore<sup>1</sup> fund based limits and short term rating of [ICRA]A3 (pronounced ICRA A three) to Rs.12.65 crore of non fund based limits of Rockwell Industries Limited (RIL). The outlook on the long term rating is Stable.

The assigned ratings takes into account the established track record of the management in the manufacturing of commercial refrigeration appliances; healthy financial risk profile characterised by gearing of 0.69 times as on March 31, 2016 and satisfactory coverage indicators with interest coverage ratio of 4.36 times and NCA/TD for FY2016. The ratings also take into account RIL's established relationship with customers resulting in repeat orders and company's diversified client base across geographies. ICRA also notes that the company's reliance on working capital borrowings is low which coupled with RIL's absence of capital expenditure plans over the medium term are expected to result in improved liquidity position for the company. The ratings, however, are constrained by decline in operating margins of the company over the past two years on account increased overhead expenses resulting from delay in commission and ramp up of new manufacturing facility, moderate capacity utilization over the years, and intense competition in the commercial refrigeration appliances industry which limits pricing flexibility and profitability. The ratings are further constrained by RIL's high working capital intensity of business on account of high debtors days; and susceptibility of RIL's profit margins to raw material price fluctuations owing to fixed price nature of contracts as well as competitive pressures from large organized players as well as Chinese players, though the strong market position enjoyed by RIL in key products partially mitigates the risk.

Going forward, ability of the company to increase scale of operation, improving profitability levels and managing its working capital cycle effectively will remain key sensitivities from credit prospective.

### Company Profile

Incorporated in 1986, Rockwell Industries Limited (RIL) is into manufacturing of commercial refrigeration appliances such as freezers, eutectic freezers, water coolers, visi coolers, push-cart freezers, etc. and kitchen refrigeration appliances which includes stainless steel cabinet in both horizontal and vertical form. The company has two manufacturing units with total installed capacity of 120,000 units, located in Medchal, Rangareddy district of Andhra Pradesh. The company is promoted by Mr. Ashok K Gupta who has more than two decades long experience in this industry.

### Recent Results

RIL has reported an operating income and net profit of Rs. 86.40 crore and Rs. 4.33 crore in FY2016 as against operating income of Rs.66.28 crore and net profit of Rs.5.11 crore respectively in FY2015.

**October 2016**

<sup>1</sup> 100 lakh = 1 crore = 10 million



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