

Rama Cylinders Private Limited

Instrument	Amount	Rating Action
Fund Based Limits	Rs. 15.00 crore	[ICRA]BBB (stable) reaffirmed
Non-Fund Based Limits	Rs. 50.00 crore	[ICRA]A3+ reaffirmed

ICRA has reaffirmed the long-term rating of [ICRA]BBB (pronounced ICRA triple B) and the short-term rating of [ICRA]A3+ (pronounced ICRA A three plus) outstanding on the fund based limits and non-fund based limits of Rama Cylinders Private Limited (RCPL) aggregating to Rs. 65.00 crore¹². The outlook on the long-term rating is Stable.

The reaffirmation of ratings takes into account the established track record and favourable market position of the company in the domestic high-pressure seamless-steel cylinder manufacturing segment, its diversified customer mix which includes reputed automobile OEMs (Original Equipment Manufacturers) and City Gas Distribution (CGD) entities, and the high entry barriers in the industry on account of the regulated nature of industry, stringent quality standards and highly capital-intensive nature of operations. The ratings also take into account the comfortable capital structure and debt coverage indicators of the company given its limited reliance on external borrowings.

The ratings are, however, constrained by the sub-par utilisation levels of the company's manufacturing plant given the subdued domestic demand for CNG (Compressed Natural Gas) cylinders owing to the domestic gas shortages and lack of adequate CNG infrastructure. The company's export sales continue to remain limited due to the lack of sales to Iran, which was hitherto the largest overseas market, on account of economic sanctions imposed on Iran. While the economic sanctions on Iran have been lately lifted, the market is yet to open up again for Indian high-pressure seamless cylinders manufactures. The ratings are further constrained by the weak profitability levels and return indicators of the company owing to the subdued demand and intense competitive pressures. The company's working capital intensity also remains high. The company's operations are also exposed to the fluctuations in prices of key raw material viz. seamless steel tubes, and to foreign currency fluctuations.

Company Profile

Rama Cylinders Private Limited (RCPL), incorporated in 2004, is promoted by Mr. Vashu J. Ramsinghani and his son Mr. Amit V. Ramsinghani. The promoters and family have been involved in a number of business ventures in India and Middle East for many years. RCPL is engaged in production of high-pressure seamless-steel cylinders and allied products. It has two manufacturing facilities, both in Gujarat, the first plant at Bhimasar of annual production capacity 300,000 units and the second plant at Kandla SEZ of annual production capacity 180,000 units. The company's equity is largely held by the promoter and promoter group (74.9%), while the remaining 25.1% of the equity is held by private equity firms.

For FY2016, RCPL reported Profit after Tax (PAT) of Rs. 0.9 crore on an operating income of Rs. 125.6 crore. For H1 FY2017, RCPL reported Profit before Tax (PBT) of Rs. 1.2 crore on an operating income of Rs. 82.6 crore (unaudited).

December 2016

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications



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