

May 30, 2014

| Facilities | Amount (Rs. Crore) | Ratings |
|-------------------------|--------------------|--|
| Cash Credit | 7.00 | SMERA C (Downgraded from SMERA B+/Stable) |
| Bill Discounting | 3.00 | SMERA A4 (Reaffirmed) |
| Bank Guarantee | 10.00 | SMERA A4 (Reaffirmed) |

SMERA has downgraded the long-term rating of Reva Industries Ltd (RIL) to '**SMERA C**' (read as **SMERA C**) from SMERA B+/Stable while reaffirming the short-term rating at '**SMERA A4**' (read as **SMERA A four**). The downgrade reflects delays in debt servicing by the company. The ratings are constrained by the company's small operating scale, working-capital intensive operations, declining profit margins and moderate coverage indicators in an intensely competitive segment of the capital goods industry. The ratings are further constrained by the company's exposure to slowdown in end-user industries. The aforementioned weaknesses are partially offset by the company's experienced management.

RIL, incorporated in 1979, is a Faridabad-based company engaged in designing, manufacturing and erecting electrical overhead travelling cranes, electric wire rope hoists, jib cranes and other material handling equipment. RIL's term loan statement reflects delays (of 5–6 days) in servicing debt obligations in April 2014.

The company has small-scale operations reflected in revenues of Rs.34.45 crore in FY2012–13 (refers to financial year, April 01 to March 31). RIL operates in an intensely competitive segment of the capital goods industry. The company's operations are working capital-intensive on account of extended credit period allowed to customers. RIL's collection period is stretched at 171 days in FY2012–13. The company's net profit margin declined from 2.93 per cent in FY2011–12 to 2.58 per cent in FY2012–13. RIL's interest coverage ratio is moderate at 1.81 times in FY2012–13.

The company's business is largely dependent on capex incurred by power, infrastructure, steel and engineering industries. RIL is thus susceptible to slowdown in end-user industries.

Mr. Balraj Goel, promoter and director of RIL, has around three decades of experience in the company's line of business. Mr. Rohit Goel (son of Mr. Balraj Goel) has around ten years of experience in the company's line of business.

Rating sensitivity factors

- Timely servicing of debt obligations
- Ability to scale up operations while maintaining stable profit margin

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- Efficient working capital management

About the company

RIL, incorporated in 1979, is a Faridabad-based company promoted by Mr. Balraj Goel. RIL is engaged in designing, manufacturing and erecting electrical overhead travelling cranes, electric wire rope hoists, jib cranes and other material handling equipment. The company is currently managed by Mr. Balraj Goel and Mr. Rohit Goel.

For FY2012-13, RIL reported PAT of Rs.0.89 crore on operating income of Rs.34.45 crore, as compared with PAT of Rs.0.90 crore on operating income of Rs.30.69 crore for FY2011-12. The company's net worth stood at Rs.14.64 crore as on March 31, 2013, as compared with Rs.13.60 crore a year earlier.

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