



SMERA RATINGS LIMITED

Reva Industries Limited (Reva)

Rating
Rationale**September 5, 2014**

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

SMERA has upgraded the long-term rating on the Rs.7.00 crore bank facility of Reva Industries Limited (Reva) to **'SMERA B' (read as SMERA single B)** from 'SMERA C' and has reaffirmed the short-term rating of **'SMERA A4' (read as SMERA A four)** on the Rs.13.00 crore bank facilities of the company. The outlook is **'Stable'**. The upgrade reflects regularization in servicing of debt by the company. The rating remains constrained by the company's small operating scale, moderate financial risk profile and working-capital intensive operations in an intensely competitive segment of the capital goods industry. The aforementioned weaknesses are partially offset by the company's experienced management and reputed clientele.

Update

Reva has regularly serviced its term loans during April 2014 to August 2014. The company's revenue has declined from Rs.34.45 crore in FY2012-13 (refers to financial year, April 01 to March 31) to Rs.26.71 crore (provisional) in FY2013-14. However, Reva's net profit margin increased from 2.58 per cent in FY2012-13 to 5.76 per cent (provisional) in FY2013-14. Reva's moderate financial risk profile is marked by gearing (debt-equity ratio) of 0.55 times as on March 31, 2014 and interest coverage ratio of 2.39 times (provisional) in FY2013-14.

Reva's operations remain working capital-intensive. The company's collection period is stretched at 158 days in FY2013-14, while average payable period is 69 days during the same year. Reva operates in an intensely competitive segment of the capital goods industry.

Reva continues to benefit from its experienced management and reputed clientele. Mr. Balraj Goel, promoter and director of Reva, 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. Reva has long-standing relations of around two decades with Bharat Heavy Electrical Limited and the Central Organization for Modernization of Workshops (COFMOW), Ministry of Railways.

Rating sensitivity factors

- Ability to scale up operations while maintaining stable profit margins
- Efficient working capital management

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Rationale**

Outlook: Stable

SMERA believes Reva will maintain a stable business risk profile over the medium term. The company will benefit from its experienced management and established associations with reputed clients. The outlook may be revised to 'Positive' in case the company registers sustained growth in revenues and profit margins while achieving efficient working capital management. The outlook may be revised to 'Negative' in case of decline in the company's profit margins, or in case of deterioration in the company's financial risk profile on account of higher-than-expected debt-funded working capital requirements.

About the company

Reva, incorporated in 1979, is a Faridabad-based company managed by Mr. Balraj Goel and Mr. Rohit Goel. Reva is engaged in designing, manufacturing, testing, erection and commissioning of electric overhead travelling (EOT) cranes, electric wire rope hoists, Jib cranes and other material handling equipment.

For FY2013-14 (as per provisional financial statements), Reva reported profit after tax (PAT) of Rs.1.54 crore on operating income of Rs.26.71 crore, as compared with PAT of Rs.0.89 crore on operating income of Rs.34.45 crore in FY2012-13. The company's net worth stood at Rs.16.89 crore (provisional) as on March 31, 2014, as compared with Rs.14.64 crore a year earlier.

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