

October 29, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	7.00	SMERA BB-/Stable (Upgraded from SMERA B/Stable)
Bills Discounting	3.00	SMERA A4+ (Upgraded from SMERA A4)
Bank Guarantee	15.00 (Enhanced from Rs.10.00 crore)	SMERA A4+ (Upgraded from SMERA A4)

SMERA has upgraded the long-term rating assigned to the above mentioned bank facilities of Reva Industries Limited (Reva) to '**SMERA BB-**' (read as **SMERA double B minus**) from 'SMERA B' and short term rating to '**SMERA A4+**' (read as **SMERA A four plus**) from 'SMERA A4'. The outlook is '**Stable**'.

The rating upgrade takes into account the improvement in Reva's financial risk profile driven by liquidation of long term loans resulting in further improvement in the gearing levels of the company. The repayment of term loans would boost the profitability levels of the company in terms of reduced interest costs which would in turn improve the debt protection measures of the company. The rating upgrade also factors in the expected improvement in the liquidity position of the company over the medium term backed by increased accruals as against minimal debt repayment obligations.

The ratings continue to draw support from the company's experienced management and reputed clientele. However, the ratings remained constrained by the small scale of operations, susceptibility of profitability to volatility in raw material prices and working capital intensive operations in an intensely competitive capital goods industry.

Rating Sensitivity Factors

- Improvement in scale of operations while maintaining profitability
- Efficient working capital management
- Higher than envisaged debt funded capex or working capital borrowings
- Deterioration in capital structure or coverage indicators

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 association 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 deterioration in the company's financial risk profile on account of higher-than-expected debt-funded capex or working capital requirements.

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About the Company

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

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