

Reva Industries Limited: Reaffirmed

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	7.00	SMERA BB-/Stable (Reaffirmed)
Bill Discounting	3.00	SMERA A4+ (Reaffirmed)
Bank Guarantee	15.00	SMERA A4+ (Reaffirmed)

SMERA has reaffirmed the ratings of '**SMERA BB-**' (read as SMERA double B minus) and '**SMERA A4+**' (read as SMERA A four plus) on the above mentioned bank facilities of Reva Industries Limited (Reva). The outlook is '**Stable**'.

The ratings continue to draw support from the established track record of operations and experienced management. The ratings are also supported by the growth in revenue, healthy order book position and moderate financial risk profile. However, the ratings continue to be constrained by the moderate scale of operations, and working capital intensive business in an intensely competitive capital goods industry.

Update

Reva manufactures mechanical products such as cranes, rope hoists, and gear boxes among others for the railways, power and heavy electrical equipment sectors. The company registered revenue of Rs.28.97 crore in FY2015-16, Rs.27.06 crore in FY2014-15 and Rs.20.37 crore for the period April 2016 to Nov 2016. The company has unexecuted orders of Rs.40.00 crore as on November 2016.

Reva has moderate risk profile marked with gearing (debt-equity ratio) of 0.50 times as on March 31, 2016 as compared to 0.43 times as on March 31, 2015. The interest coverage ratio (ICR) deteriorated to 2.43 times in FY2015-16 from 3.07 times in FY2014-15. DSCR stood at 1.17 times for FY2015-16.

Reva's operating margins declined marginally to 10.83 percent in FY2015-16 from 10.89 percent in FY2014-15. The ROCE stands at 9.76 per cent in FY2016. The operations continue to be working capital intensive as reflected in its gross current asset days of 185 as on March 31, 2016 (PY: 176 days) on account of high debtors of 163.

Rating Sensitivity Factors

- Scaling up operations while improving profitability
- Movement in gearing and coverage indicators
- Efficient working capital management

Outlook: Stable

SMERA believes that Reva will maintain a 'Stable' outlook over the medium term on the back of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher than expected growth in revenues while achieving improvement in profitability and effective working capital management. Conversely the outlook may be revised to 'Negative' in case the company registers lower than expected revenue, profit margins and deterioration in its financial risk profile.

Criteria applied to arrive at the rating:

- Manufacturing Entities

Reva Industries Limited (Reva)

About the Company

Reva, incorporated in 1979, is a Faridabad-based company promoted by Mr. Balraj Goel, Mr. Bharat Raj Goel, Mr. Vinod Kumar Goel and others. The company manufactures mechanical products, material handling equipments and caters to the power and heavy electrical equipment sectors as also the railways.

For FY2015–16, Reva reported profit after tax (PAT) of Rs.0.77 crore on operating income of Rs.28.97 crore, as compared with PAT of Rs.1.02 crore on operating income of Rs.27.06 crore for FY2014–15.

Rating History

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
29 October, 2015	Cash Credit	7.00	SMERA BB- (Upgraded)	-	Stable
	Bill Discounting	3.00	-	SMERA A4+ (Upgraded)	-
	Bank Guarantee	15.00	-	SMERA A4+ (Upgraded)	-
05 September, 2015	Cash Credit	7.00	SMERA B (Upgraded)	-	Stable
	Bill Discounting	3.00	-	SMERA A4 (Reaffirmed)	-
	Bank Guarantee	10.00	-	SMERA A4 (Reaffirmed)	-
30 May, 2014	Cash Credit	7.00	SMERA C (Downgraded)	-	Stable
	Bill Discounting	3.00	-	SMERA A4 (Reaffirmed)	-
	Bank Guarantee	10.00	-	SMERA A4 (Reaffirmed)	-
17 May, 2013	Cash Credit	7.00	SMERA B+ (Assigned)	-	Stable
	Bill Discounting	3.00	-	SMERA A4 (Assigned)	-
	Bank Guarantee	10.00	-	SMERA A4 (Assigned)	-

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ABOUT SMERA

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