

Press Release

Reva Industries Limited

September 05, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 25.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) and short term rating of '**ACUITE A4+**'(**read as ACUITE A four plus**) to the Rs. 25.00 crore bank facilities of Reva Industries Limited (RIL). The outlook is '**Stable**'.

RIL, incorporated in 1979, is a Faridabad-based company promoted by Mr. Balraj Goel, Mr. Bharat Raj Goel, Mr. Vinod Kumar Goel and Mr. Shivasaran Goel. The company is engaged in designing, manufacturing, testing and erection and commissioning of electric overhead travelling (EOT) Cranes, Electric Wire rope hoists, Jib Cranes and Other Material Handling Equipment. Reva specializes in offering customised solutions in the areas of Thermal Power Station Plant, Railway Workshops, among others.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of RIL to arrive at this rating.

Key Rating Drivers

Strengths

• **Established track record of operations and experienced management**

Incorporated in 1979, RIL is promoted by Mr. Balraj Goel who holds experience of nearly three decades in the engineering industry. The company has reputed customer base which includes Bharat Heavy Electricals Limited (BHEL), Doosan Power Systems India Private Limited, National Thermal Power Corporation Limited, Siemens Limited and Indian Railways to name a few. RIL has unexecuted order book position of Rs. ~30.00 crore from these customers which gives future visibility of the revenues.

Acuité believes the company will benefit from its experienced management which helps the company to maintain long standing relations with its customers and get repeated orders.

• **Average financial risk profile**

RIL has average financial risk profile marked by net worth of Rs.21.49 crore as on 31 March, 2018 (Provisional) compared to Rs.19.68 crore as on 31 March, 2017. The gearing remains low at 0.44 times as on 31 March, 2018 (Provisional) from 0.53 times as on 31 March, 2017. The total debt is Rs.9.49 crore includes term loan of Rs.1.41 crore and working capital borrowings of Rs.8.09 crore as on 31 March, 2018 (Provisional). The interest coverage ratio stood at 4.68 times in FY2018 (Provisional) as against 2.79 times in FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.69 times as on 31 March, 2018 (Provisional) as against 0.79 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.27 times as on 31 March, 2018 (Provisional) as against 0.17 times in FY2017.

Weaknesses

- **Working capital intensive operations**

RIL operates in working capital intensive nature of operations marked by high Gross Current Assets (GCA) days of 254 in FY2018 (Provisional) as against 219 days in FY2017. This is majorly on high collection period of 185 days in FY2018 (Provisional) against 187 days in FY2017. The reason for receivable days to be so high is because majority of the receivables are the government entities where high debtor days are inherent. The inventory holding period stood at 59 days in FY2018 against 7 days in FY2017. The reason for inventory days to increase in FY2018 is on account of one of the orders which got delayed and was booked in April 2018 amounting to Rs.3.50 crore.

Acuité believes that being into capital goods industry and having stretched receivables from the government entities the operations of RIL will remain working capital intensive.

- **Uneven revenue trend and profitability margins**

RIL registered operating income of Rs.32.54 crore in FY2017 as against Rs.28.97 crore in FY2016 and Rs.27.06 crore in FY2015. Further, RIL has booked revenue of Rs.29.40 crore as on FY2018 (Provisional). Further, RIL booked a revenue of Rs.~13.00 crore for the period April to July 2018. The dependence of operations on successful tender bids has led to uneven revenues from FY2015 to FY2018.

Acuité believes that high dependency on flow of orders from the Government will be crucial to the company in order to maintain its revenue stream over the medium term.

Outlook: Stable

Acuité believes that IBPL will maintain 'Stable' outlook over the medium term on the back of experienced management and comfortable financial risk profile. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues while improving profitability along with improved financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	29.40	32.54	28.97
EBITDA	Rs. Cr.	3.16	3.60	3.14
PAT	Rs. Cr.	1.26	1.15	0.77
EBITDA Margin	(%)	10.76	11.05	10.83
PAT Margin	(%)	4.29	3.55	2.66
ROCE	(%)	8.04	10.24	9.76
Total Debt/Tangible Net Worth	Times	0.44	0.53	0.50
PBDIT/Interest	Times	4.68	2.79	2.43
Total Debt/PBDIT	Times	2.89	2.84	2.85
Gross Current Assets (Days)	Days	254	219	215

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

Acuité is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>
- Manufacturing Entity - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
12-Mar-2018	Cash Credit	Long Term	7.00	ACUITE BB- (Issuer not co-operating*)
	Bank Guarantee	Short Term	15.00	ACUITE A4+ (Issuer not co-operating*)
	Bill Discounting	Short Term	3.00	ACUITE A4+ (Issuer not co-operating*)
23-Dec-2016	Cash Credit	Long Term	7.00	ACUITE BB-/ Stable (Reaffirmed)
	Bank Guarantee	Short Term	15.00	ACUITE A4+ (Reaffirmed)
	Bill Discounting	Short Term	3.00	ACUITE A4+ (Reaffirmed)
29-Oct-2015	Cash Credit	Long Term	7.00	ACUITE BB-/ Stable (Upgraded from ACUITE B+/Stable)
	Bank Guarantee	Short Term	15.00 (Enhanced from Rs.10.00 Cr)	ACUITE A4+ (Upgraded from ACUITE A4)
	Bill Discounting	Short Term	3.00	ACUITE A4+ (Upgraded from ACUITE A4)

*The issuer did not co-operate; based on best available information.

#Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BB-/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A4+ (Reaffirmed)
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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