

Rasandik Engineering Industries India Limited

August 11, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	77.39 (Enhanced from 75.17)	CARE D (Single D)	Reaffirmed
Short Term Bank Facilities	6.84 (Reduced from 9.06)	CARE D (Single D)	Reaffirmed
Total Bank Facilities	84.23 (₹ Eighty-Four Crore and Twenty-Three Lakhs Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The reaffirmation of ratings assigned to the bank facilities of Rasandik Engineering Industries India Limited continues to take into account the instances of delay in servicing of debt obligations by the company. The delays were attributable to poor liquidity position, impact of COVID-19 on the operations of the company and sizeable debt repayment obligations.

The ratings are further, constrained by the working capital-intensive nature of operations, exposure to fluctuation in raw material prices and cyclical nature of the automotive industry. The ratings also take cognizance of the moderation in profitability during FY22 (refers to the period from April 1 to March 31); though on an increased scale of operations.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Timely servicing of debt obligations for more than three months

Detailed description of the key rating drivers

Key Rating Weaknesses

Delays in servicing of repayment obligations

There have been instances of delays in servicing of debt obligations by the company. The delays were largely attributable to disruptions in the operations owing to COVID-19 pandemic resulting in weakening of operational profile and liquidity position of the company.

Weak operational performance marked by loss at net level

The total operating income of the company grew by 51% during FY22 albeit on a low base of Rs. 136.93 crores in FY21 to Rs. 206.66 crores in FY22 mainly due to increase in volumes.

The profitability of the company has however been impacted by owing to rising prices of steel (key raw material). Consequently, the PBILDT margin declined to 7.48% during FY22 from 11.33% in FY21. Further, the company reported loss of Rs. 2.71 crores at net level due to increase in interest cost.

The capital structure of the company continues to be moderate as exhibited by an overall gearing of 0.91x (PY: 0.91x) as on March 31, 2022. The total debt of the company stood at Rs. 87.57 crores as on March 31, 2022 comprising of working capital borrowings of Rs. 52.21 crores and term loan of Rs. 35.53 crores. During the past fiscal the company availed GECL to improve the liquidity positions of the company. The debt coverage indicators of the company stood weak during FY22 mainly due to deterioration in profitability.

Exposure to fluctuation in raw material prices

The key raw material for REIIL's product is steel sheets, the prices of which are volatile. The company receives orders from Maruti Suzuki India Limited (MSIL) and other OEMs regularly as per their production schedule and simultaneously REIIL procures raw material from its suppliers. The increase in raw material prices can be passed on to the OEM's but with time lag (1-2 months). Hence, to that extent, the profitability remains exposed to the fluctuation in raw material prices. Furthermore, being a moderate sized player in the auto ancillary segment, REIIL has limited negotiation power vis-à-vis its customers which are large and established OEMs.

Cyclical nature of the automotive industry

The automobile industry is cyclical in nature and automotive component suppliers' sales are directly linked to sales of auto OEMs. Furthermore, the auto-ancillary industry is competitive with the presence of a large number of players in the organized as well as unorganized sector. While the organized segment majorly caters to the OEM segment, the unorganized segment mainly caters to the replacement market and to tier II and III suppliers.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Key Rating Strengths

Experienced Promoters

REIIL was promoted by Mr. Rajiv Kapoor in 1986 to manufacture auto components with its first manufacturing facility in Gurgaon. Mr. Kapoor is an IIT Delhi graduate and has over three decades of experience in the auto components manufacturing system. He manages business operations largely concentrating on the product developments, new business opportunities, technology up-gradation, product quality and growth strategies. He is ably supported by Mrs. Deepika Kapoor, who looks after human relations, company management and general administration.

Strategic location of manufacturing units

REIIL is engaged into manufacturing of sheet metal components like dead axles, suspension parts, skin panels, fuel tanks, motorcycle frames etc. The company has 5 operational plants at Gurgaon (2); Surajpur, Greater Noida (1); Mewat (1); Pune (1) with an installed capacity of 72000 MT for Sheet metal components and 30, 00,000 MT for Tailor Welded Blanks as on March 31, 2021. REIIL has its manufacturing plants located near manufacturing facilities of OEMs to meet the latter's requirements. This helps REIIL to remain competitive by combating transportation cost and continuous supply of components. The company has an integrated manufacturing plants encompassing stamping, pressing, welding (Robot Spot welding, Robot MIG welding, Nut welding etc.), and assembling, sealing and painting capabilities.

In-house design and engineering capabilities

REIIL's design, engineering capability and ability to manufacture sheet metal pressed components with consistent quality and reliability is well acknowledged by OEM customers resulting in repeated orders y-o-y. Necessary drawings or blue print are provided by the customers based on which company designs the tool. REIIL is well equipped with CAD/CAM/CAE design capability, tool room and manufacturing capacities with CNC wire cutting machines, welding machines and presses for manufacturing of tool.

Liquidity: Poor

The poor liquidity is characterized by insufficient gross cash accruals of Rs. ~7 crores as against repayment obligations of Rs. 15.12 crores for FY23. The company has repaid around Rs. 5 crores out of Rs. 15.12 crores of repayment for FY23. Further, the large portion of current assets is funded through external borrowing which has resulted in low current ratio of the company of 0.72x as on 31 March 2022 (PY: 0.71x).

The operations of the company are working capital intensive as customers are allowed credit period of 30-45 days, while payment to suppliers is made in 50-60 days. The high working capital requirements were met largely through high payable period and bank borrowings which resulted in almost full utilization of its sanctioned working capital limits with instances of overutilization.

Analytical approach: Standalone

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Short Term Instruments](#)

[Auto Ancillary Companies](#)

About the company

Incorporated in 1986, REIIL promoted by Mr. Rajiv Kapoor is engaged in providing engineering solutions, designing and manufacturing delivery of sheet metal components and assemblies to automobile industry. The company manufactures sheet metal components, press tools and dies for high tensile application in Heavy Commercial Vehicle (HCV), Light Commercial Vehicle (LCV), Passenger Vehicle (PV), tractors and 2-wheeler industry, heavy fabrication for railways. The company has an installed capacity of 97,940 MT for sheet metal components and 30,000 MT for Tailor Welded Blanks as on March 31, 2022.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	Q1FY23 (UA)
Total operating income	136.93	206.66	NA
PBILDIT	15.52	15.47	NA
PAT	-5.77	-2.71	NA
Overall gearing (times)	0.91	0.91	NA
Interest coverage (times)	1.56	1.35	NA

A: Audited; UA: Unaudited; NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	August 2026	30.39	CARE D
Fund-based - LT-Cash Credit		-	-	-	47.00	CARE D
Non-fund-based - ST-Bank Guarantee		-	-	-	2.50	CARE D
Fund-based - ST-Bank Overdraft		-	-	-	4.34	CARE D

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	30.39	CARE D	1)CARE D (11-Jul-22)	1)CARE BB; Stable (30-Jul-21)	1)CARE BB-(CWD) (25-Nov-20)	1)CARE BB+; Negative (25-Feb-20) 2)CARE BB+; Stable (04-Oct-19)
2	Fund-based - LT-Cash Credit	LT	47.00	CARE D	1)CARE D (11-Jul-22)	1)CARE BB; Stable (30-Jul-21)	1)CARE BB-(CWD) (25-Nov-20)	1)CARE BB+; Negative (25-Feb-20) 2)CARE BB+; Stable (04-Oct-19)
3	Non-fund-based - ST-Bank Guarantee	ST	2.50	CARE D	1)CARE D (11-Jul-22)	1)CARE A4 (30-Jul-21)	1)CARE A4 (CWD) (25-Nov-20)	1)CARE A4 (25-Feb-20) 2)CARE A4+ (04-Oct-19)
4	Fund-based - ST-Bank Overdraft	ST	4.34	CARE D	1)CARE D (11-Jul-22)	1)CARE A4 (30-Jul-21)	1)CARE A4 (CWD) (25-Nov-20)	1)CARE A4 (25-Feb-20) 2)CARE A4+ (04-Oct-19)

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - ST-Bank Overdraft	Simple
4	Non-fund-based - ST-Bank Guarantee	Simple

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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