

Revathi Engineering Private Limited
 January 18, 2021

Ratings

Facilities / Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	3.00	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE B+; Stable (Single B Plus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	2.50	CARE B; Stable / CARE A4; ISSUER NOT COOPERATING* (Single B ; Outlook: Stable/ A Four ISSUER NOT COOPERATING*)	Revised from CARE B+; Stable / CARE A4 (Single B Plus ; Outlook: Stable / A Four) and moved to ISSUER NOT COOPERATING category
Total Facilities	5.50 (Rs. Five Crore and Fifty Lakhs Only)		

*Details in Annexure I.

Detailed Rationale, Key Rating Drivers and Detailed description of the key rating drivers

CARE has been seeking information from Revathi Engineering Private Limited to monitor the rating vide e-mail communications dated from November 2020 to January 07, 2021 and numerous phone calls. The last 3 e-mail communications seeking information are attached as **Annexure D**. However, despite our repeated requests, has not provided the requisite information for monitoring the ratings. **In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.** The rating(s) on Revathi Engineering Private Limited bank facilities will now be denoted as **CARE B; Stable; ISSUER NOT COOPERATING & CARE B; Stable / CARE A4; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

Detailed description of the key rating drivers**(Updated for the information available from ROC)**

The revision in the rating takes into account the non-availability of requisite information due to non-cooperation by Revathi Engineering Private Limited with CARE's efforts to undertake a review of the outstanding ratings as CARE views information availability risk as key factor in its assessment of credit risk profile.

The revision in the rating also takes into account declining Profitability margins during FY20. The rating continues to be tempered by working capital intensive nature of operations. The rating however continues to derived strength from long track record of operations with experienced promoters for more than three decades in manufacturing of Aerospace components.

Key Rating Weaknesses**Small Scale of operations**

The scale of operation of the company stood small marked by total operating income has increased from Rs. 1.71 crore in FY19 to Rs. 6.45 crore in FY20 with low net worth of Rs. 4.24 crore as on March 31, 2020 which is relatively low as compared to other peers in the industry.

Declining Profitability margins during FY20

The profitability margins of the company has declined during FY20 marked by PBILDT margin of the company has declined from 54.64% in FY19 to 21.01% in FY20 and the PAT margin of the company has also declined from 4.65% in FY19 to 0.90% in FY20.

Elongated operating cycle days

The working capital cycle days of the company continues to remain elongated at 340 days in FY20 due to higher inventory days of 462 days in FY20.

Key Rating Strengths**Long track record of operations with experienced promoters for more than three decades in manufacturing of Aerospace components**

REPL is promoted by Mr. Phanindra (CEO of the company) along with his wife Mrs. G. Revathi. Both the directors are postgraduates and have more than three decades of experience in aerospace components manufacturing. The company has a long operational track record of 36 years in this segment

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

Analytical Approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology -Manufacturing Companies](#)

About the company

Hyderabad based, Revathi Engineering Private Limited (REPL) was incorporated in the year 1982 as a partnership firm by Mr. Phanindra. The company is primarily engaged in manufacturing of high precision assemblies and components for the aerospace sector.

Brief Financials (Rs. crore)	31-03-2019	31-03-2020
	A	A
Total operating income	1.71	6.45
PBILDT	0.93	1.36
PAT	0.08	0.06
Overall gearing (times)	1.80	0.38
Interest coverage (times)	1.90	1.39

A-Audited;

Status of non-cooperation with previous CRA: Nil

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	3.00	CARE B; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT/ ST-BG/LC	-	-	-	2.50	CARE B; Stable / CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	3.00	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable (17-Dec-19)	1)CARE B+; Stable (16-Oct-18)	-
2.	Non-fund-based - LT/ ST-BG/LC	LT/ST	2.50	CARE B; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable / CARE A4 (17-Dec-19)	1)CARE B+; Stable / CARE A4 (16-Oct-18)	-

*Issuer did not cooperate; Based on best available information

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

Annexure 4: Complexity level of various instruments rated for this Firm

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Non-fund-based - LT/ ST-BG/LC	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an *External Credit Assessment Institution (ECAI)* by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

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