

Rasandik Engineering Industries India Limited

November 15, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	51.63 (Reduced from 77.39)	CARE D	Rating removed from ISSUER NOT COOPERATING category and Reaffirmed
Short Term Bank Facilities	10.10 (Enhanced from 6.84)	CARE D	Rating removed from ISSUER NOT COOPERATING category and Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of ratings assigned to the bank facilities of Rasandik Engineering Industries India Limited (REIL) 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 and sizeable debt repayment obligations. The ratings also take cognizance of the decline in scale of operations and profitability during FY23 (refers to the period from April 1 to March 31). 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.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Timely servicing of debt obligations for more than three months

Analytical approach: Standalone

Detailed description of the key rating drivers:

Key weaknesses

Instances of delays in servicing of debt obligations

There have been instances of delays in servicing of debt obligations by the company during FY23 as reported by the auditor. Further, the bank statements of the company also shows delay in servicing debt obligations and instances of penal charges latest on September 30, 2023. The delays were largely attributable to subdued operational performance and poor liquidity position of the company.

Weak operational performance marked by loss at net level

The total operating income of the company declined to Rs. 150.16 crores during FY23 from Rs. 206.66 crores in FY22. PBILDT margin also declined to 5.87% in FY23 against 7.48% in FY22. Further, the company continues to report net loss of Rs. 3.30 crore at net level. The capital structure of the company continues to be moderate as exhibited by an overall gearing of 0.82x (PY: 0.91x) as on March 31, 2023. The total debt of the company stood at Rs. 76.35 crores as on March 31, 2023 comprising of working capital borrowings of Rs. 54.67 crores and term loan of Rs. 21.68 crores. The debt coverage indicators of the company stood weak during FY23 mainly due to deterioration in profitability.

Exposure to fluctuation in raw material prices

The key raw material for REIL'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 REIL 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, REIL 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

Key Rating Strengths

Experienced Promoters

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

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.

Liquidity: Poor

The poor liquidity is characterised by insufficient gross cash accruals of Rs. ~3 crores as against repayment obligations of Rs. 7.18 crores for FY24. Further, the large portion of current assets is funded through external borrowing which has resulted in low current ratio of the company of 0.62x as on 31 March 2023 (PY: 0.72x). However, the company is in the process of monetising several assets which may lead to improvement in liquidity going forward.

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Short Term Instruments](#)

[Auto Ancillary Companies](#)

[Policy on Withdrawal of Ratings](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Automobile and Auto Components	Auto Components	Auto Components & Equipments

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, 2023.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	Q1FY24(UA)
Total operating income	206.66	150.16	29.88
PBILDT	15.47	8.81	2.56
PAT	-2.71	-3.30	-1.98
Overall gearing (times)	0.91	0.82	NA
Interest coverage (times)	1.35	0.82	0.83

A: Audited UA: Unaudited NA: Not Available; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	35.24	CARE D
Fund-based - LT-Term Loan		-	-	31/08/2026	16.39	CARE D
Fund-based - ST-Bank Overdraft		-	-	-	7.60	CARE D
Non-fund-based - ST-Bank Guarantee		-	-	-	2.50	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 2023-2024	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
1	Fund-based - LT-Term Loan	LT	16.39	CARE D	1)CARE D; ISSUER NOT COOPERATING* (06-Nov-23)	1)CARE D (11-Aug-22) 2)CARE D (11-Jul-22)	1)CARE BB; Stable (30-Jul-21)	1)CARE BB-(CW with Developing Implications) (25-Nov-20)
2	Fund-based - LT-Cash Credit	LT	35.24	CARE D	1)CARE D; ISSUER NOT COOPERATING* (06-Nov-23)	1)CARE D (11-Aug-22) 2)CARE D (11-Jul-22)	1)CARE BB; Stable (30-Jul-21)	1)CARE BB-(CW with Developing Implications) (25-Nov-20)
3	Non-fund-based - ST-Bank Guarantee	ST	2.50	CARE D	1)CARE D; ISSUER NOT COOPERATING* (06-Nov-23)	1)CARE D (11-Aug-22) 2)CARE D (11-Jul-22)	1)CARE A4 (30-Jul-21)	1)CARE A4 (CW with Developing Implications) (25-Nov-20)

4	Fund-based - ST-Bank Overdraft	ST	7.60	CARE D	1)CARE D; ISSUER NOT COOPERATING* (06-Nov-23)	1)CARE D (11-Aug-22) 2)CARE D (11-Jul-22)	1)CARE A4 (30-Jul-21)	1)CARE A4 (CW with Developing Implications) (25-Nov-20)
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*Long term/Short term.

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

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the 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: Lender details

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

Note on the 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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About us:

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