

Rasandik Engineering Industries India Limited (Revised)

December 27, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	51.30 (Reduced from 51.63)	CARE C; Stable	Revised from CARE D ; Stable outlook assigned
Short Term Bank Facilities	10.10	CARE A4	Revised from CARE D

Details of instruments/facilities in Annexure-1.

Detailed Rationale and key rating drivers

The revision in ratings assigned to the bank facilities of Rasandik Engineering Industries India Limited (REIL) factors in the track record of timely servicing of debt obligations of financial institutions for more than 3 months. The ratings further derive strength from the experienced promoters with long track record of operations, moderate capital structure and favourable location of the plant. However, the ratings are constrained by the company's weak debt coverage indicators and working capital intensive nature of operations leading to poor liquidity position. The ratings also remain constrained by the low bargaining power with customers, susceptibility of margins to volatility in raw material prices and cyclical nature of automotive industry.

Rating sensitivities:

Positive factors

- Company's ability to effectively manage its working capital cycle and lower utilisation in working capital limits leading to improvement in liquidity position.
- Significant improvement in capital structure and debt coverage indicators.

Negative factors

- Delay in repayment of debt obligations or overutilization of working capital limits for more than 30 days.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects CARE's expectation that REIL will derive benefit from its experienced promoters in auto component industry and strategic location of its plants.

Detailed description of the key rating drivers:

Key weaknesses

Weak overall financial risk profile

The total operating income of the company declined to Rs. 150.16 crores during FY23 as against Rs. 206.66 crores in FY22 owing to decline in sales realisation. PBILDT margin also declined to 5.87% during FY23 as against 7.48% in FY22. The company continues to report losses amounting to Rs. 3.30 crores during FY23 (PY: Rs. 2.71 crores) 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.

Working capital intensive nature of operations

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

Being in auto ancillary industry, the operations of the company are working capital intensive in nature. The operating cycle of the company elongated to 111 days during FY23 from 82 days in FY22. The elongation was largely on account of increase in inventory due to low business volume resulting in inventory period of 128 days (PY: 96 days) as on March 31, 2023. 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 March 31, 2023 (PY: 0.72x).

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.

Key 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.

Moderate Capital Structure

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.

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 97,940 MT for Sheet metal components and 30,000 MT for Tailor Welded Blanks. 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 liquidity position of the company remained poor with low cash accruals against low cash and bank balance. The company remains heavily dependent on bank funds leading to fully utilised working capital limits for last 6 months ended Nov 2023 with

few instances of overutilization which were regularised within 30 days. 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). The company has plans to monetise some assets in the near term which is expected to reduce debt levels and improve liquidity position of the company.

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non-financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Auto Ancillary Companies](#)

About the company and industry

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.

Industry classification

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

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	H1FY24 (UA)
Total operating income	206.66	150.16	60.83
PBILDT	15.47	8.81	10.94
PAT	-2.71	-3.30	0.74
Overall gearing (times)	0.91	0.82	0.64
Interest coverage (times)	1.35	0.82	1.92

A: Audited UA: Unaudited; 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 C; Stable
Fund-based - LT-Term Loan	-	-	-	31/08/2026	16.06	CARE C; Stable
Fund-based - ST-Bank Overdraft	-	-	-	-	7.60	CARE A4
Non-fund-based - ST-Bank Guarantee	-	-	-	-	2.50	CARE A4

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	16.06	CARE C; Stable	1)CARE D (15-Nov-23) 2)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 C; Stable	1)CARE D (15-Nov-23) 2)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 A4	1)CARE D (15-Nov-23) 2)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 A4	1)CARE D (15-Nov-23) 2)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.

*Issuer did not cooperate; Based on best available information

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.

Contact us

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About us:

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