

Rasandik Engineering Industries India Limited

July 11, 2024

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

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE has revised the ratings of Rasandik Engineering Industries India Limited (REIIL) to CARE D/ CARE D. Facilities with this rating are in default or are expected to be in default soon. The revision in the ratings of bank facilities of REIIL takes into account the instances of delays in servicing of debt obligations by the company.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Timely servicing of debt obligations for more than 90 days.

Analytical approach: Standalone.

Outlook: Not Applicable

Detailed description of the key rating drivers:

Key weaknesses

Instances of delay in servicing of debt obligations

The company has reported instances of delays in the debt obligations as reported by the auditor in the annual report of the company for the year ending March 31, 2024. Moreover, as per the bank statement received of ECLGS account, there are instances of delay in servicing of debt obligation for the month of January & February 2024 for which penal interest is also charged.

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 0.40x (PY: 0.82x) as on March 31, 2024. The total debt of the company stood at Rs. 40.44 crores as on March 31, 2024 comprising of working capital borrowings of Rs. 23.77 crores, term loan of Rs. 13.45 crores and unsecured loan from promoters of Rs. 3.22 crore.

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

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 and low cash and bank balance. It is also marked by delay in payment of interest and principal amounts due on term loan.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Auto Components & Equipments](#)

[Short Term Instruments](#)

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)	March 31, 2024 (A)
Total operating income	206.66	150.16	86.25
PBILDT	15.47	8.81	22.23
PAT	-2.71	-3.30	7.21
Overall gearing (times)	0.91	0.82	0.40
Interest coverage (times)	1.35	0.82	2.35

A: Audited 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	16.06	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 2024-2025	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
1	Fund-based - LT-Term Loan	LT	16.06	CARE D	-	1)CARE C; Stable (27-Dec-23) 2)CARE D (15-Nov-23) 3)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)
2	Fund-based - LT-Cash Credit	LT	35.24	CARE D	-	1)CARE C; Stable (27-Dec-23) 2)CARE D (15-Nov-23) 3)CARE D; ISSUER NOT COOPERATING*	1)CARE D (11-Aug-22) 2)CARE D (11-Jul-22)	1)CARE BB; Stable (30-Jul-21)

						(06-Nov-23)		
3	Non-fund-based - ST-Bank Guarantee	ST	2.50	CARE D	-	1)CARE A4 (27-Dec-23) 2)CARE D (15-Nov-23) 3)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)
4	Fund-based - ST-Bank Overdraft	ST	7.60	CARE D	-	1)CARE A4 (27-Dec-23) 2)CARE D (15-Nov-23) 3)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)

*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term; LT/ST: 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.

Contact us

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About us:

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