

## Rajasthan Electronics And Instruments Limited

October 07, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term / Short Term Bank Facilities	60.00	CARE BB+; Stable / CARE A4+	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The ratings assigned to the bank facilities of Rajasthan Electronics and Instruments Limited (REIL) continue to remain constrained by its moderate scale of its operations, subdued profitability, high working capital intensity with elongated operating cycle, susceptibility of its profitability to volatility in raw material prices and presence in a competitive industry.

The ratings, however, continue to derive strength from its strong parentage as well as Mini Ratna status which provides leverage in getting projects directly from various Government entities and its comfortable capital structure with low utilization of fund-based limits and no term debt repayment obligations. The ratings of REIL also derive strength from its established track record of operations in manufacturing of dairy electronic products and solar photovoltaic (PV) modules, diversified product portfolio, well developed R&D facilities and government support to solar energy sector.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive Factors

- Increase in scale of operations with TOI of over Rs. 200 crore while maintaining healthy profit at PBILDT level on a sustained basis.
- Significant improvement in operating cycle, with improvement in receivable levels with realization of debtors outstanding for more than 6 months

#### Negative Factors

- Deterioration in operating cycle due to elongation of collection days resulting in deterioration in liquidity position.
- Any major debt funded capital expenditure leading to deterioration in capital structure.

### Analytical approach: Standalone

#### Outlook: Stable

Stable outlook reflects CARE Ratings Limited's (CARE Ratings') expectation that REIL shall continue to benefit from strong parentage and its Mini Ratna status.

### Detailed description of key rating drivers:

#### Key weaknesses

##### Moderate scale of operations and subdued profitability

During FY24, total operating income (TOI) of REIL improved to Rs.187.74 crore from Rs.120.14 crore in FY23 due to income generated from both the segments i.e., EMA (electronics) & SPV (renewable energy) along with significant rise in exports. The company executed an export order of Rs.65 crore from Guyana Energy Agency which fetched better profitability. With improved scale of operations, REIL registered operating profit of Rs.5.64 crore in FY24 as against PBILDT loss of Rs.15.14 crores in FY23. However, in 4MFY25, REIL registered TOI of Rs.19.48 crore along with continued PBILDT loss of Rs.8.76 crore.

##### High working capital intensity with elongated operating cycle

REIL has high working intensity marked by a stretched operating cycle of 121 days in FY24 (358 days in FY23). However, the collection period improved to 371 days (691 days in FY23) in FY24, which was offset to large extent by creditor period of 291 days (P.Y.: 392 days). Overall debtors stood high at Rs.158.80 crore as on March 31, 2024, however improved from FY23 level of Rs.165.15 crore despite increase in scale of operations. Same was funded mainly from creditors which stood at Rs.143.76 crore as on March 31, 2024 (P.Y.: Rs.149.73 crore). A large part of these creditors shall be paid post receipt of payment from customers. Further, outstanding provision for doubtful debts stood at Rs.25.30 crore as on March 31, 2024 (Rs. 24.29 crore as on March 31, 2023). In solar segment, payment is linked to the progress of project. Further, some of the orders from govt./semi government organizations are for supply of solar modules at different locations having delivery schedule spread over months and payment is released upon completion of entire order. Also, many of the customers of REIL depend on various State/Central government or/and nodal agencies like Ministry of New and Renewable Energy (MNRE) for budgetary allocation/subsidies for

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

making payments and any delay in these receipts leads to elongation in collection period of REIL. However, the risk of bad debt is low as most of the clients are government or semi-government organizations.

**Presence in competitive solar PV module industry**

Competition in solar cell and module segment is high with large established players and a number of small players in the solar value chain. However, REIL only participates in Government tenders and work contracts are awarded by Government department on the basis of lowest price quoted by the suppliers. Intense competition exposes the industry players to pricing pressures resulting in lower realizations.

**Susceptibility of fluctuations in raw material prices**

Solar cells are the major raw material for SPV modules. Revenues and margins of REIL's solar energy division are directly related to the prices of solar cells. Prices of solar cells remain volatile subject to global economic conditions as well as demand-supply scenario. Furthermore, REIL being a government entity has import restrictions to procure solar cells from China and thus the company has to procure solar cells from the local market at higher prices.

**Key strengths****Government promoted entity with established track record of operations and Mini-Ratna status**

REIL is owned by the Government of India (GOI) and Government of Rajasthan (GOR) through Department of Heavy Industries (51% stake) and Rajasthan State Industrial Development and Investment Corporation (49%) respectively. REIL has been granted the status of 'Miniratna' Category-II CPSE (Central Public Sector Enterprise) in 1997 by Department of Public enterprise, Ministry of Industry, Government of India. REIL has 'Mini Ratna' status and is also listed under the approved vendor list of GOI and GOR which enables other government departments to order directly to REIL at the pricing mentioned in contract without tendering process.

REIL has an operational track record of thirty-five years where the company has been engaged in the development of innovative products and solutions for Renewable energy sector, Information Technology, and Industrial & Agro Electronics.

**Diversified Product portfolio with in-house R&D facilities**

REIL has demonstrated execution capabilities with diversified products/solution in both of its business segments i.e., Electronics division and Renewable Energy. REIL continues to benefit from an established product portfolio for dairy segment with innovative products/solution backed by in-house Research & Development (R&D) initiatives. Also, it had started generating revenue from Electric charging station segment wherein it establishes electric charging station and provides three-year maintenance services. Out of total income during FY24, income pertaining to Renewable energy division contributed 56% [FY23: 36%] while Electronics division (including charging station) contributed 44% [FY23: 64%].

REIL has well equipped R&D centre with requisite technical manpower, equipment and tools which takes care of the development processes in a systematic manner. The centre has been recognized by the Department of Scientific & Industrial Research, Ministry of Science & Technology, and Government of India since 1985. REIL has developed products like electronic unit for PCDF Project, sensor-based auto EMT, data processors unit for PCDF project, DPU with barcode reader, Milk Stirrer which find application in dairy industry.

**Government support to solar energy sector**

The National Solar Mission aims to achieve target of 450 GW by 2030. This target demonstrates India's commitment to solar energy on a massive scale. As technology continues to evolve, it is expected that solar power costs will continue to drop, making it an increasingly affordable and sustainable energy source. This trajectory positions India not only as a regional leader but as a global player in the renewable energy arena, contributing significantly to reducing carbon emissions and combating climate change.

**Comfortable capital structure and moderate debt coverage indicators**

REIL's capital structure remained comfortable with Nil overall gearing as on March 31, 2024, owing to no outstanding term debt and nil utilization of working capital limits as on balance sheet date. Company largely uses Bank Guarantee limits for tender purposes.

Also, debt coverage indicators improved in FY24 marked by PBILDT interest coverage of 6.76x in FY24 mainly due to Profitability reported after a couple of years. The company has been registering PBILDT losses in the previous four years till FY23.

**Liquidity:** Stretched

REIL's liquidity is stretched on the back of an elongated operating cycle and negative cash flow from operations. However, the same is offset to some extent by low utilization of fund based working capital limits and availability of free cash of Rs.11.18 crore as on March 31, 2024. The company has a fund-based limit of Rs.25 crore and its average utilization stood nil during last 12-months period ended August 2024.

REIL mainly utilizes the non-fund-based limits for giving Performance Bank Guarantee for solar tenders as well as giving financial guarantee against advances from the customers in Electronics division. Non-fund-based limit utilization remained low at 32% during trailing 12-month period ended August 2024. Further, Cash flow from operating activities stood negative at Rs.2.87 crore in FY24.

**Applicable criteria**

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

**About the company and industry****Industry classification**

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Electrical Equipment	Other Electrical Equipment

Rajasthan Electronics & Instruments Limited is an ISO:9001 public sector enterprise under the administrative control of the Ministry of Heavy Industries and Public Enterprises, Government of India (GoI). REIL is a joint venture enterprise between Government of India (51%) and Government of Rajasthan (GoR - 49%) and has been awarded the "Mini Ratna" status on the basis of continued good performance. REIL has become independent Central Public Sector Enterprise (CPSE) w.e.f. May 16, 2017. REIL operates in two major business segments, viz., Electronics & Information Technology and Renewable Energy. The Electronics division can be further classified into Agro-Dairy Electronics, Industrial Electronics and IT & Communication based on the product application. In the renewable energy segment, REIL is engaged in the production of solar PV modules/systems and generation of wind energy. REIL primarily manufactures Electronic Milk Analyzer (EMA) and Solar Photovoltaic (SPV) Modules/Systems. As on July 31, 2024, REIL has annual installed capacity of 10,000 units (Single Shift) of EMAs and 19 MW of SPV Modules at its manufacturing unit in Jaipur, Rajasthan.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	4MFY24 (UA)
Total operating income	120.14	187.74	19.48
PBILDT	-15.14	5.64	-8.76
PAT	-10.06	3.16	NA
Overall gearing (times)	0.00	0.00	NA
Interest coverage (times)	-17.49	6.76	NA

A: Audited UA: Unaudited; Note: these are latest available financial results; NA: not available

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of 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 and Rating Outlook
Fund-based/Non-fund-based-LT/ST		-	-	-	25.00	CARE BB+; Stable / CARE A4+
Non-fund-based-LT/ST		-	-	-	35.00	CARE BB+; Stable / CARE A4+

**Annexure-2: Rating history for 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/Non-fund-based-LT/ST	LT/ST	25.00	CARE BB+; Stable / CARE A4+	-	1)CARE BB+; Stable / CARE A4+ (03-Nov-23)	1)CARE BB+; Stable / CARE A4+ (10-Nov-22)	1)CARE BBB-; Negative / CARE A3 (25-Feb-22)
2	Non-fund-based-LT/ST	LT/ST	35.00	CARE BB+; Stable / CARE A4+	-	1)CARE BB+; Stable / CARE A4+ (03-Nov-23)	1)CARE BB+; Stable / CARE A4+ (10-Nov-22)	1)CARE BBB-; Negative / CARE A3 (25-Feb-22)
3	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (25-Feb-22)

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

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable**Annexure-4: Complexity level of instruments rated**

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

**Annexure-5: Lender details**

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

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

## Contact Us

<b>Media Contact</b>  Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a>	<b>Analytical Contacts</b>  Kalpesh Ramanbhai Patel Director <b>CARE Ratings Limited</b> Phone: +91-079-4026 5611 E-mail: <a href="mailto:kalpesh.patel@careedge.in">kalpesh.patel@careedge.in</a>
<b>Relationship Contact</b>  Pradeep Kumar V Senior Director <b>CARE Ratings Limited</b> Phone: 914428501001 E-mail: <a href="mailto:pradeep.kumar@careedge.in">pradeep.kumar@careedge.in</a>	Anuja Parikh Associate Director <b>CARE Ratings Limited</b> Phone: +91-079-4026 5616 E-mail: <a href="mailto:anuja.parikh@careedge.in">anuja.parikh@careedge.in</a>  Harsh Shah Rating Analyst <b>CARE Ratings Limited</b> E-mail: <a href="mailto:Shah.Harsh@careedge.in">Shah.Harsh@careedge.in</a>

### About us:

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