Revent Metalcast Limited

April 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term / Short Term Bank Facilities	50.00	CARE BB+; Stable / CARE A4+	Downgraded from CARE BBB-; Stable / CARE A3

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings has downgraded the ratings to the bank facilities of Revent Metalcast Limited (RML) to 'CARE BB+; Stable /CARE A4+' from 'CARE BBB-; Stable / CARE A4+ on account of continuous weak operating and financial performance during FY24 (refers to period April 01 to March 31) and 9MFY25 (refers to period April 01 to December 31) marked by continued moderation in scale of operations, sustained operating losses over the past 3 years and negative gross cash accruals on account of longer than envisaged time taken for turnaround of operations post the new management taken over in FY22. Furthermore, the undergoing partly debt-funded capital expenditure to establish a captive solar plant (20 MW) to reduce its energy cost and also working towards to modernize its plant (which includes refurbishment and setting up a new SIMO line) so as to turn profitable at operating level in short to medium term remains a key monitorable factor. Additionally, ratings also considered limited track record post change in management, weak operating and financial performance in FY24 and 9MFY25, input price fluctuation risk and the company's exposure to the cyclical automobile industry.

However, the ratings also take into account the resourceful parent, Deccan Value Investors (DVI), which has provided financial support in the past, along with the company's experienced management and reputable client base. Additionally, as discussed with the management, the company is implementing measures to achieve operating profitability in the short to medium term, which will remain a key area of focus going forward.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustaining turnaround in operations with the company turning positive at the profit after tax (PAT) level
- Significantly growing scale of operations marked by total operating income (TOI) of more than ₹500 crore with profit before interest, lease rentals, depreciation and tax (PBILDT) margin of more than 5%.

Negative factors

- Cash losses on a sustained basis
- Delay in completion of the capex for Solar plant and refurbishment
- Lower-than-envisaged or delaying need-based financial support from the promoters
- Total debt/PBILDT beyond 4 times on a sustained basis

Analytical approach: Standalone

Outlook: Stable

The stable outlook indicates that RML is likely to sustain its financial risk profile, backed ongoing support from its resourceful promoters, despite low operating profitability in the past and a gradual expansion in the scale of operations.

Detailed description of key rating drivers:

Key weaknesses

Limited track record post recent change in management

As DVI took over RML in January 2022, there is a short track record post change in the promoters. Hence, the ability of the new management to turnaround operational performance of the company on a sustained basis remains to be seen. The company has shown total operating income at ₹293.67 crore in FY24 from ₹400.33 crore in FY23. Additionally, the total operating income (TOI) remained low at ₹229.56 crore during 9MFY25, while the company has incurred sustained cash losses on account of longer than

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

envisaged time taken for turnaround of operations post the new management came in FY22. Going forward, ability of the company to profitably increase its scale will remain a key monitorable factor.

Weak operating and financial performance in FY24 and 9MFY25
TOI of the company declined in FY24 as the company has discontinued the supplies to some customers as well as some of old models which has a lower contribution margin. Major customer to which supplies are discontinued is from south India which has a higher logistics cost. The company has reported total revenue of Rs 228.56 crore during 9MFY25 with operating loss of 2.31%, total revenue is expected to remain flat in FY25 while operating losses to continue with that Total debt/PBILDT expected to remain negative. However, the company is in a discussion with customer to increase the prices. The company has planned to launch some new products like rear case, hub, friction disc and has already got orders worth about ₹76 crore from new customers which is expected to have a better contribution margin and expected to bring more operational efficiencies. Apart from these finalised orders company is undergoing a capex for Solar plant of 20MW which will reduce their electricity cost as well as capex for refurbishment which will improve TOI and profitability from FY26 and onwards however the same will remain a key monitorable factor.

RML has continued to report negative cash accruals since the change in management. In FY24, the company reported negative cash accruals of ₹8.59 crore, while in 9MFY25, it reported ~ ₹6.82 crore in negative cash accruals. CARE Ratings note that the company is taking efforts to turn profitable, though this remains a key rating monitorable.
The company’s capital structure improved in FY24 following an equity infusion of ₹50 crore from its key investor, DVI US, to cover operating losses and capital expenditure needs, along with the conversion of ₹268 crore in outstanding NCDs into equity. This has led to an improvement in the overall gearing levels. Furthermore, the promoters injected ₹100 crore in FY25 to partially fund the company’s capital expenditure, redeem ₹15 crore in NCDs, and address future financial requirements. RML’s scheduled debt repayments are set to begin in June 2025, and these are expected to be met partly through its cash accruals and balance by available cash balance which is available with the company on account of fund infusion done in March 2025 by the promoters.

Exposure to cyclicality in demand in automobile industry
The automotive industry is subject to cyclical variations in performance and is very sensitive to various policy changes. The company’s performance remains closely aligned to the performance of key customers and in-turn is exposed to cyclical demand patterns inherent to the automobile industry and ability of the original equipment manufacturers (OEMs) to sustain their operating performance. Demand for vehicles in the Indian market is subject to seasonal variations. Demand is generally lean during the first quarter of the financial year and starts increasing with the onset of the festive season from September onwards. Typically, the fourth quarter is the best quarter for automobile companies. Seasonality in most other markets is driven by the introduction of new model year vehicles and derivatives.

Input price fluctuation risk
The company's profitability margins are exposed to fluctuations in input prices, including raw materials, fuel, and freight costs, in line with industry trends. Scrap, the major raw material, is sourced from traders in India, and the company utilizes its sanctioned letter of credit (LC) limits for procurement. The company's ability to protect its margins through price negotiations with customers or operational efficiencies will be crucial in the current inflationary environment.

Key strengths

Resourceful investor with substantial financial support
RML had been acquired by Hudson Bay a 100% subsidiary of (DVI under the insolvency proceedings. Promoted by Vinit Bodas in November 2004, DVI is a USA-based hedge fund which manages funds aggregating USD 3.7 billion across the USA, France, Italy, India and Vietnam. DVI USA holds 90% stake in RML and has infused funds of ₹268 crore through NCDs, also there has been total equity infusion of Rs 200 crore till FY25. Going forward, need based financial support is expected to come from the promoters for the capital expenditure (capex) and other business requirements of RML.

Experienced management
RML is led by Prakash Hari Khose, MD of the company. He has a vast experience of 31 years in the automotive industry and has worked with reputed automobile companies. The other members of the board of RML comprise of eminent industry experts and professionals. CARE Ratings believes that the sound management team put in place after the change in control is expected to help the company regain some of the lost market share and ramp up the operations.

Reputed clientele; but customer concentration
RML had an established and long-standing relationship with its clients over the years. However, the same was impacted as the company entered Corporate Insolvency Resolution Process (CIRP). Sales from top 10 customers remained concentrated at around 93% in 9MFY25 (FY24: 85%, FY23: 75%) which, however, is mitigated to some extent as the same is spread across various models of respective companies. Going forward, the company’s ability to regain business and grow sales volumes from key customers would remain a key monitorable.

Liquidity: Stretched

RML's liquidity remains stretched due to continued negative cash flow from operations over the past two years, with a reported negative cash flow from operations of negative ₹34.75 crore in FY24 (compared to negative ₹29.27 crore in FY23). Additionally, the company incurred capital expenditures of ₹1.95 crore in FY24 (FY23: ₹7.73 crore), which were funded through equity infusions and proceeds from NCDs provided by the promoters. In FY25, CARE Ratings expects the company to continue reporting operating losses, while undertaking capital expenditures of ₹108 crore. This will be partially funded by ₹100 crore of additional equity received in FY25, along with a ₹45 crore term loan and cash balances available at the start of the year. The company is projected to meet its debt obligations of ₹4.9 crore in FY25 and ₹6.9 crore in FY26 through available liquidity on account of fund infusion done by promoters in March 2025 and partly by cash accruals which it shall generate.

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

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Automobile and Auto Components	Auto Components	Auto Components & Equipments

RML is engaged in manufacturing of various machined and casting components range from engine, transmission, flywheel, stem comp steering, crown wheel pinions, forks etc. The company caters to OEMs in diverse segments including passenger vehicles, commercial vehicles, tractors, two-wheelers and three-wheelers. The company has 2 operational manufacturing facilities across Bhiwandi. It went into CIRP vide order dated December 20, 2017 passed by the Hon'ble National Company Law Tribunal (NCLT), Chandigarh Bench. The CIRP culminated into the approval of resolution plan submitted by DVI USA by the NCLT vide Order dated July 09, 2020. Subsequently, the resolution plan was implemented on January 21, 2022. Post-acquisition by DVI USA, name of the company has changed to Revent Metalcast Limited from Castex Technologies Limited w.e.f November 03, 2022.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	400.33	293.67	228.56
PBILDT	-5.35	-8.53	-5.28
PAT	-79.56	-143.15	-22.51
Overall gearing (times)	-8.64	0.06	NA
Interest coverage (times)	-0.21	-0.33	NA

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

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: Detailed explanation of covenants of the rated instruments/facilities is given in 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 - LT/ ST-Bill Discounting/ Bills Purchasing		-	-	-	50.00	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 - LT/ ST-Bill Discounting/ Bills Purchasing	LT/ST	50.00	CARE BB+; Stable / CARE A4+	-	1)CARE BBB-; Stable / CARE A3 (05-Feb-24)	1)CARE BBB-; Stable / CARE A3 (20-Dec-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 - LT/ ST-Bill Discounting/ Bills Purchasing	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

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Ravleen Sethi Director **CARE Ratings Limited** Phone: 91-120-4452016 E-mail: ravleen.sethi@careedge.in
Relationship Contact Saikat Roy Senior Director **CARE Ratings Limited** Phone: 912267543404 E-mail: saikat.roy@careedge.in	Anant Agarwal Associate Director **CARE Ratings Limited** Phone: 91-120-4452000 E-mail: Anant.Agarwal@careedge.in Utkarsh Sogani Analyst **CARE Ratings Limited** E-mail: Utkarsh.sogani@careedge.in

About us:

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