Revathi Equipment India Limited

April 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term / Short Term Bank Facilities	101.00 (Enhanced from 60.74)	CARE BBB+; Stable / CARE A2	Reaffirmed; Outlook revised from Positive
Short Term Bank Facilities	43.54 (Reduced from 45.54)	CARE A2	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Revathi Equipment India Limited (REIL) factor in long track record of operations and experienced management team, REIL's established domestic market position in drilling equipment business and its growing presence in the export market, healthy financial risk profile marked by low overall gearing, and strong profitability margins. Ratings also consider healthy growth in scale of operations in FY24 (refers to April 01 to March 31) aided by increase in orders from the export customers.

However, ratings are constrained by relatively moderate scale of operations, concentrated customer base in the domestic market, explicit support provided to its group company which is loss making and working capital intensive operations resulting in elongated operating cycle.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growing scale of operations above ₹250 crore while maintaining profit before interest, lease rentals, depreciation, and taxation (PBILDT) margins more than 18%.

Negative factors

- Declining revenue and profitability resulting in net debt to PBILDT (TD/ PBILDT) above 3x.
- Any Large debt-funded capex negatively impacting capital structure with overall net adjusted gearing (Total debt including guaranteed loans less cash to Tangible networth) deteriorating beyond 1.0x on sustained basis.
- Any further exposure to the group entities leading to stretch in liquidity and debt protection metrics.

Analytical approach: Standalone

Outlook: Stable

The outlook has been revised from 'Positive' to 'Stable' following the company's increased exposure in the form of corporate guarantee to the loss making group company and also due to increased dependency on working capital borrowings. The Stable outlook reflects the ability of the company to sustain its operational performance through healthy orderbook from domestic client, increasing revenue visibility in export orders and established presence in the market leveraging through promoters' vast experiences.

Detailed description of key rating drivers:

Key strengths

Long operational track record and experienced management team

REIL, formerly Revathi Equipment Limited, has over four decades of experience in designing and manufacturing drilling rigs for mining, water well, and exploration activities. REIL has been a key supplier to Coal India Limited for over three decades. Recently, it has expanded its customer base to include more private players in domestic and export markets. The company is led by Executive Chairman Abhisek Dalmia and a team of experienced professionals, ensuring a strong business profile.

Comfortable operational performance in FY24 and 9mFY25

The company reported a 94% year-on-year growth in total operating income, reaching ₹212.46 crore in FY24, driven by increased volumes and higher export business share. Drilling rig volumes rose by 144%, and export revenue contribution improved to 36%

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

from 12% in FY23. Earnings before interest, leases, taxation, and depreciation (PBILTD) grew by 84%, with a healthy PBILDT margin of 18.25% in FY24. In the 9mFY25, the company achieved a TOI of ₹114.04 crore with a PBILDT margin of 18.99%. The majority of revenue to the domestic customer expected in the last quarter of the financial year.

Healthy capital structure and debt coverage metrics however

The company's capital structure remains comfortable with overall gearing of 0.28x as on March 31, 2024 (PY: 0.44x). Debt coverage indicators also improved significantly with interest coverage at 7.01x (PY: 5.17x) in FY24, TD to gross cash accruals (TD/GCA) at 0.92x as on March 31, 2024 (PY: 2.25x). The company's working capital borrowings increased to manage higher inventory for export customers, leading to a gearing ratio of 0.92x as of December 31, 2024.

Key weaknesses

Exposure to loss making group company

The company during FY25, had extended corporate guarantee amounting to ₹94.0 crore towards the bank facilities availed by group company 'Semac Consultants Limited' (SCL, rated CARE BBB; Negative / CARE A3+)'. SCL is involved in architectural and engineering design and design build. Adjusting for the exposure to the above group entity, the adjusted gearing is expected to be around 1.40x by the end of FY25. Nevertheless, the company has free cash and cash equivalents of ₹87.08 crore as on December 31, 2024. Considering the same, the Net gearing (Total debt including guaranteed loans less free cash to Tangible Networth) is expected to remain comfortable below unity.

Working capital-intensive operations

The company's operations are capital intensive due to high production lead times, resulting in high inventory levels. In FY24, inventory days were 142, and the working capital cycle was 135 days, improved from FY23. Payments from public sector clients are received within 45-50 days, with limited counterparty risk due to reputable clients and advance payments for exports. However, the working capital cycle extended to 205 days in 9mFY25 due to an inventory period of 236 days.

Client concentration risk

The company primarily supplies drilling equipment to the Coal Mining Industry, with Coal India Limited (CIL) contributing 39% of total revenue in FY24. To reduce reliance on CIL, REIL is expanding its focus to export customers and other domestic private players in sectors like limestone, iron ore, cement, gold, and diamond mining. This diversification is expected to decrease the company's dependence on CIL in the future.

High dependence on third party suppliers

The company's operations majorly involve assembling parts received from its vendors and sub-contractors. The company has a Vendor Management team, which is engaged in constantly monitoring performance and financial position of such vendors. For some parts and components, the company relies on imports, which has inherent risks applicable such as currency and regulatory risks, and timeliness of receipt of products. REIL further depends on third parties for their critical parts and short of in-house technology to manufacture critical parts such as motors and jacks. This exposes the company to business risks that may arise considering downward revision in business profile of its suppliers.

Liquidity: Adequate

The company's liquidity is adequate with expected accruals of ₹33 in FY25 against very low repayment obligations of ₹1.02 crore in FY25. The average working capital utilisation for the last 12 months ended February 2025 stood comfortable at 74.72%. The cash & cash equivalents as on December 31, 2024, is around ₹87.08 crores which are parked in quoted equity, debentures etc and also as cash. The current ratio of REL stood comfortable at 1.68x (PY 1.78x) as on March 31, 2024.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

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	Industrial Manufacturing	Industrial Products

REIL was incorporated in 2020 and manufactures mining equipment primarily blast hole drills ranging from 63 mm (2 ½") to 349 mm (13 ¾") in size and caters to domestic and export market. Till FY22, REIL was under named Revathi Equipment Limited (REL), which also housed a design and construction business. In June 2023, through an NCLT approved scheme of arrangement, the drilling business was demerged into the present separate entity (REIL). The remaining design and construction business continues to be under REL, which has been renamed Semac Consultants Limited (SCL – rated CARE BBB; Negative/ CARE A3+). Drilling business under REL first commenced operations in 1977 as Revathi Cp Equipment Limited with financial and technical collaboration of Chicago Pneumatic of USA to provide drilling solutions for applications such as mining, construction, water well, exploration, among others. The company was taken over from Atlas Copco (international industrial Group with its head office in Stockholm, Sweden) in 2002 by its current promoter Abhishek Dalmia. REIL got listed on stock exchanges with effect from September 11, 2024.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9mFY25 (UA)
Total operating income	109.83	212.46	114.04
PBILDT	21.10	38.78	21.66
PAT	13.39	31.06	9.96
Overall gearing (times)	0.44	0.28	NA
Interest coverage (times)	5.17	7.01	3.14

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: 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		-	-	-	101.00	CARE BBB+; Stable / CARE A2
Non-fund-based - ST-BG/LC		-	-	-	42.50	CARE A2
Non-fund-based - ST-Forward Contract		-	-	-	1.04	CARE A2

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 2025-2026	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
1	Fund-based-LT/ST	LT/ST	101.00	CARE BBB+; Stable / CARE A2	-	1)CARE BBB+; Positive / CARE A2 (07-Aug-24)	-	-
2	Non-fund-based - ST-BG/LC	ST	42.50	CARE A2	-	1)CARE A2 (07-Aug-24)	-	-
3	Non-fund-based - ST-Forward Contract	ST	1.04	CARE A2	-	1)CARE A2 (07-Aug-24)	-	-

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	Simple
2	Non-fund-based - ST-BG/LC	Simple
3	Non-fund-based - ST-Forward Contract	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.

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