

SEPTEMBER 09, 2015

CARE ASSIGNS 'CARE BBB' AND 'CARE A3' RATINGS TO THE BANK FACILITIES OF RAUNAQ AUTOMOTIVE COMPONENTS LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	25.89	CARE BBB (Triple B)	Assigned
Short term Bank Facilities	4.00	CARE A3 (A Three)	Assigned
Total Facilities	29.89 (Rupees Twenty Nine crore and Eighty Nine lakh only)		

Rating Rationale

The ratings assigned to the bank facilities of Raunaq Automotive Components Limited (RACL) derive strength from the experienced promoters, long track record of operations, long-standing relationship with reputed clientele and moderate financial risk profile of the company marked by improving profitability margins. The ratings are, however, constrained by its modest scale of operations, working capital intensive nature of business and cyclical nature of the automotive industry. Going forward, profitable scale-up of operations and efficient management of working capital cycle shall remain the key rating sensitivities.

Background

Raunaq Automotive Components Limited (RACL) was incorporated in 1983 and is engaged in the business of manufacturing of transmission gears and shafts for automotive and industrial applications. The company was initially promoted by Raunaq Group. However, due to financial difficulties the company was referred to Board for Industrial and Financial Reconstruction (BIFR) in 2001. Post-restructuring and with a new management team under leadership of Mr Gursharan Singh (CMD), RACL came out of the BIFR purview in November 2007. The company has two manufacturing units in Uttar Pradesh at Gajraula and Noida.

During FY15 (Audited; refers to the period April 01 to March 31), RACL earned PAT of Rs.3.59 crore (PY: 1.87) on total income of Rs.107.62 crore (PY: 104.31). As per unaudited results for Q1FY16, the company achieved total income of Rs.28.43 crore and PAT of Rs.0.80 crore.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer: CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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