Rating Rationale

Rakheja Engineers Private Limited

2 July 2019

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹7.00 Crores of Rakheja Engineers Private Limited.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Apr 2018)	Present
Fund based	7.00	7.00	Long Term	BWR BB+ (pronounced as BWR Double B Plus) Outlook: Stable	BWR BB+ (pronounced as BWR Double B Plus) Outlook: Stable Reaffirmed
Total	7.00	7.00	INR Seven Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon audited financial upto FY18, Provisional FY19 and Projected financials FY20, and information /clarification given by Company's management.

The rating draws strength from the experience of the management team, increasing revenue, low Long term Borrowings, and low Gearing Ratio. The rating however is constrained by low Interest Service Coverage Ratio, reduced Operating Profit Margin, and customer concentration risk.

Going forward, the ability of the Company to improve its scale of operations by sustaining the revenue growth, need to improve profitability margins, manage working capital efficiency and prompt servicing of debt obligation shall remain key rating sensitivity.

Description of Key Rating Drivers

Credit Strengths:

Management team has sufficient experience in the industry. Total operating Income increased to ₹83.83 Crs in FY18 from ₹77.14 Crs n FY17. As on 31st Mar 2018, Long term borrowings stood at ₹0.45 Crs and Gearing Ratio stood at 0.65times.

Credit Risks:

In FY18, Interest service Coverage Ratio is 1.49 times. Operating Profit Margin reduced to 0.59% in FY18 from 4.14% in FY17. The Company is exposed to customer concentration risk as it is supplying more than 90% of products to a customer (JCB India Ltd).

Liquidity position of the Company needs to be improved as the Current Ration as at 31.3.18 stood at 1.18 times

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **Rakheja Engineers Private Limited** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Rakheja Engineers Pvt Ltd is a Private Limited Company incorporated on 12 Aug 1994. Its registered office is located at Faridabad in Haryana. The Company is into manufacturing of earth moving machine parts & heavy fabrication components. The Company is ISO 9000:2008 certified. At present, the Company is supplying its major portion of products to JCB India Ltd.

Company Financial Performance

Total operating Income increased to ₹83.83 Crs in FY18 from ₹77.14 Crs n FY17. Net Profit reduced to ₹0.12 Crs in FY18 from ₹1.98 Crs in FY17. Tangible Networth stood at ₹11.26 Crs as on 31st Mar 2018.

Rating History for the last three years

S.No	Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	19.04.2018	17.03.2017	2016
1.	**Fund Based** Cash credit	Long term	7.00	**BWR BB+ (pronounced as BWR Double B Plus)**	**BWR BB+ (pronounced as BWR Double B Plus)**	**BWR BB+ (pronounced as BWR Double B Plus)**	**Not Rated**
	Total		**7.00**	**INR Seven Crores Only**			

Status of non-cooperation with previous CRA: NA
Any other information: Not Available

Key Financial Indicators

Key Parameters	Units	2019	2018
Result Type		**Provisional**	**Audited**
Operating Revenue	In ₹ Crs	110.45	83.83
EBITDA	In ₹ Crs	2.11	0.49
PAT	In ₹ Crs	2.28	0.12
Tangible Net worth	In ₹ Crs	10.75	11.26
Total Debt/Tangible Net worth	Times	0.69	0.65
Current Ratio	Times	1.71	1.18

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Infrastructure Sector
- Short Term Debt

For any other criteria obtain hyperlinks from website

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For print and digital media
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Note on complexity levels of the rated instrument:
BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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