Press Release

Reliable Autotech Private Limited (RAPL)

January 10, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Rating	Rating Action	Complexity Indicator
Long term Bank Facilities	140.75 (reduced from 145.81)	IVR BBB+/Negative (IVR Triple B plus with negative outlook)	IVR BBB+/Stable (IVR Triple B plus with stable outlook)	Rating Reaffirmed, Outlook revised from Stable to Negative	Simple
Long term Bank Facilities – Proposed	32.00	IVR BBB+/Negative (IVR Triple B plus with negative outlook)	--	Assigned	Simple
Long term Bank Facilities	0.00 (Reduced from 6.10)	--	IVR BBB+/Stable (IVR Triple B plus with stable outlook)	Withdrawn**	Simple
Short Term Bank Facilities	32.00 (reduced from 37.00)	IVR A2 (IVR A two)	IVR A2 (IVR A two)	Reaffirmed	Simple
Total	**Rs. 204.75 (Rs. Two Hundred Four crore and Seventy-Five lakh only)**				

***Withdrawn, since repaid fully.*

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has reaffirmed/assigned its ratings to the Bank facilities of RAPL derives strengths stable growth in revenue and moderate profitability, comfortable debt protection metrics, diversified product profile and entering into new vertical, established relationship with reputed OEM’s and sustainable scale of operations, and strong promoters experience and established track record of operations with in-house R&D capabilities. However, these rating strengths are partially Constrained by leveraged capital structure, project implementation risk, and cyclicality and competition associated with automotive component industry.

The “negative outlook” revision is on account of debt led capex plans which is expected to further leveraging of capital structure along with moderation of EBITDA margins during 1HFY25, also slowdown in auto segment likely to impact revenue growth of the company.

Infomerics Ratings has simultaneously withdrawn the rating assigned to the term loan worth Rs. 6.10 crore based on No Due Certificate dated Aug 03, 2024, as it is fully paid off. The rating is withdrawn is in line with Infomerics' policy on withdrawal of ratings.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained growth in operating income, operating margin and cash accrual.
- Improvement in the capital structure with improvement in debt protection metrics on a sustained basis.

Downward Factors

- Moderation in operating income and/or moderation in cash accrual impacting the debt protection metrics on a sustained basis.
- Stretch in the working capital cycle driven by stretch in receivables, or sizeable capital expenditure weakening the financial risk profile, particularly liquidity.
- Any time or cost overrun in current capex plans and/or any declined in revenue and profitability and/or any further elongation of working capital cycle leading to deterioration in credit profile and the liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Improved scale of operations and moderate profitability

The total operating income grew by 6.45% on Y-o-Y basis to Rs. 498.09 crore in FY24 (period refers from April 2023 to March 2024) (FY23: Rs. 467.92 crore) on account of increase in revenue contribution from high margins segment like commercial vehicles segment, defence and tools and dies, which led to improve in EBITDA margin though remained moderate and at 9.25% in FY24 (FY23: 7.99%). However, the PAT margin declined marginally to 2.07% in FY24 (FY23: 3.02%) due to changes in deferred tax and higher interest cost. RAPL has recorded revenue of Rs.303.24 crore till November 2024, which is 58% of the projected revenue for FY25, as per management, second half of the year especially 4Q of any financial year is better as compared to balance three quarters.

However, during 1HFY25, RAPL has reported EBITDA margins of 6.86% due to one-time expenses of License cost of SAP and higher contribution of the revenue from lower margin segments. However, management expects 2HFY25 would be better in terms of EBITDA margins with expected higher contribution to the revenue from high margin segments such as die shop, defence and heavy fabrication.

Comfortable debt protection metrics

The debt protection metrics improved and remained comfortable with interest coverage at 3.65x in FY24 (FY23: 3.48x) on account of increase in EBITDA. However, the total debt to NCA marginally deteriorate and stood at 4.75 years in FY24 (FY23: 4.01 years) due to additional debt. Despite this, the DSCR remained comfortable and stood at 1.72x in FY24. IVR notes that the debt protection metrics will improve from FY25 onwards mainly due to expected higher margins from defence segment and heavy fabrication segment.

Diversified product profile and entering into new vertical

RAPL is engaged in the business of manufacturing of diverse range of components for automotive, agriculture, turf care, commercial vehicles, construction equipment, defence and material handling. Additionally, RAPL is in process of entering into new vertical called heavy fabrication, which includes generic parts that are used in earth movers & construction equipment. According to management, the commercial supply for heavy fabrication business has already started in November 2024. However, business ramp up is expected to start from April 2025. Thus, IVR expects that this new vertical will contribute short to medium term revenue visibility.

Established relationship with reputed OEM's and Sustainable Scale of Operations & Growing Exports

The Company has established and maintained excellent relations with its customers and caters to major OEMs such as Mahindra and Mahindra, Skoda Volkswagen, Honda, John Deere, Cummins Meritor, Benteler - VW & Suzuki, Tata Advanced Defence Systems, L&T Defence. Furthermore, RAPL is in advanced talks with other international companies namely Caterpillar Inc, Paccar Inc, etc. The Company's proven track record of quality & delivery has resulted in consistent repeat orders from these OEMs. The Company's focus on exports has also enabled the company to mitigate risks to a large extent in the last 3 years.

Strong Promoters Experience and Established track record of operations with in-house R&D capabilities

The promoters have more than four decades of extensive experience in manufacturing of engineering components such as sheet metal components, welded assemblies, tractor axle beams, heavy stamping components & dies/gauges/fixtures etc. Over the years, the promoters have established healthy relations with their key customers and the same helps in maintaining a healthy in-hand order book. The Company has inhouse DSIR (Department of Scientific and Industrial Research) recognised Research and Development (R&D) Centres at Nashik and Pune which ensure error-free & timely product development. The company's end to end service capabilities from design to delivery supported by overseas warehouses makes it a strategic partner for global OEMs.

Key Rating Weaknesses

Leveraged capital structure

RAPL's capital structure in terms of overall gearing and TOL/TNW remained leveraged at 1.52x and 2.85x as on March 31, 2024 (March 31, 2023: 1.35x and 2.39x) due to decline in net worth to Rs.90.45 crore as on 31st March 2024 (31st March 2023: Rs.91.45 crore, 31st March 2022: Rs.100.82 crore). This is due to completion of one-time activity of buyback of shares from one of the shareholders, who exited the business during FY23. This buyback has happened in two tranches one in FY23 and another one in FY24. Further, RAPL is undertaking debt led capex of Rs.56.25 crore funded through debt of Rs.45 crore and balance through internal accruals. Infomerics expects RAPL's capital structure is expected to remain leveraged with debt led capex. Also, this capex of Rs. 56.25 Cr. will cater business expansion needs up to Q2 FY26.

Project Implementation Risk

RAPL is in the process of diversifying into new manufacturing domain i.e. Heavy Fabrication and expansion of existing facility along with new manufacturing plant for defence business at Kuruli near Chakan by April 2025. The project will be executed in 2 phases i.e. phase 1 and phase 2. The total capex plan is worth Rs. 56.25 crore which will be funded through term loan of Rs. 45.00 crore from and balance through internal accruals. As of now, RAPL has incurred Rs. 19.09 crore on plant and machinery, land and buildings, electrical instalments and other expenses. As per management, the expected date of commercial operations for defence business will be in April 2025 and the expansion of existing facility will be in the next financial year in a phased manner. Hence, timely completion of the project will be key monitorable.

Cyclicality and competition associated with automotive component industry

The automobile industry is highly cyclical in nature and automotive component suppliers' sales are directly linked to sales of auto OEMs. Furthermore, the auto-ancillary industry is highly competitive with the presence of many players in the organized as well as unorganized sector. However, the established position of RAPL and strong business relations with OEM from farm equipment, construction equipment, defence business, etc. which acts as natural hedge against cyclical nature of automotive industry.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies.
Financial Ratios & Interpretation (Non-Financial Sector).
Criteria for assigning Rating outlook.
Policy on Default Recognition and post default period
Complexity Level of Rated Instruments/Facilities
Policy on Withdrawal of Ratings

Liquidity – Adequate

The liquidity of RAPL remains adequate marked by gross cash accruals of Rs. 38.89 crore, Rs. 52.24 crore and Rs. 62.97 crore for FY25 to FY27 which are sufficient for the repayment of Rs. 21.62 crore, Rs. 26.47 crore and Rs. 27.03 crore for FY25 to FY27. The cash and cash equivalents stood at Rs. 3.38 crore as on September 30, 2024. The average working capital utilisation stood at 69.40% for last 12 months ended in September 2024. Further, the current ratio remains comfortable at 1.20x as on March 31, 2024.

About the Company

Incorporated in 1996. It is engaged in manufacturing of engineering domain such as sheet metal components, welded assemblies, heavy stamping components & dies/gauges/ fixtures etc. It has six manufacturing facilities, five are located in Maharashtra and one in Madhya Pradesh. RAPL serves OEMs (Original Equipment Manufacturers) in 4 continents across various sectors such as Automotive, Farm Equipment/ Agriculture, Construction & Forestry, Commercial Vehicles and Material Handling. It has also diversified into the Heavy Fabrication and Defence sector.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	467.92	498.09
EBITDA	37.39	46.05
PAT	14.30	10.38
Total Debt	123.52	137.92
Tangible Net Worth	91.54	90.45
EBITDA Margin (%)	7.99	9.25
PAT Margin (%)	3.02	2.07
Overall Gearing Ratio (x)	1.35	1.52
Interest Coverage (x)	3.48	3.65

* *Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (2024-25)			Rating History for the past 3 years		
		Type	Amount (Rs. Crore)	Rating	Date(s) & Rating(s) assigned (2023-24)	Date(s) & Rating(s) assigned (2022-23)	Date(s) & Rating(s) assigned
					Date: Nov 07, 2023	Date: Aug 10, 2022	
1.	Term Loan	Long Term	80.75	IVR BBB+/Negative	IVR BBB+/Stable	IVR BBB+/Stable	--
2.	Term Loan – Proposed	Long Term	32.00	IVR BBB+/Negative	--	--	--
3.	Cash Credit	Long Term	60.00	IVR BBB+/Negative	IVR BBB+/Stable	IVR BBB+/Stable	--
4.	Letter of Credit	Short Term	30.00	IVR A2	IVR A2	IVR A2	--
5.	PSR (Pre-settlement Risk)	Short Term	2.00	IVR A2	IVR A2	IVR A2	--
6.	Term Loan**	Long Term	0.00	--	IVR BBB+/Stable	IVR BBB+/Stable	--

*****Term Loan of worth Rs. 6.10 crore from Tata Capital Financial Services Limited has been withdrawn based on No Due Certificate, as it is fully paid off by the RAPL. The rating is withdrawn is in line with Infomerics' policy on withdrawal of ratings.***

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	--	--	--	Feb 2026 – Sep 2029	80.75	IVR BBB+/Negative
Cash Credit	--	--	--	Revolving	60.00	IVR BBB+/Negative
Term Loan - Proposed	--	--	--	--	32.00	IVR BBB+/Negative
Letter of Credit	--	--	--	--	30.00	IVR A2
PSR (Pre-settlement Risk)	--	--	--	--	2.00	IVR A2

Annexure 2: Facility wise lender details
https://www.infomerics.com/admin/prfiles/len-reliable-jan25.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.