

## Rucha Engineers Private Limited

Instrument	Amount	Rating Action
Cash Credit	Rs. 30.00 crore enhanced from Rs. 22.00 crore	[ICRA]A- (Stable) revised from [ICRA]BBB+ (Stable)
Term Loans	Rs. 43.40 crore enhanced from Rs. 14.40 crore	[ICRA]A- (Stable) revised from [ICRA]BBB+ (Stable)
Short Term Non Fund Based	Rs. 4.00 crore enhanced from Rs. 3.00 crore	[ICRA]A2+ revised from [ICRA]A2
Short Term Unallocated	Rs. 0.60 crore reduced from Rs. 1.60 crore	[ICRA]A2+ revised from [ICRA]A2

ICRA has revised the long term rating assigned to the Rs. 30.00 crore<sup>1</sup> (enhanced from Rs. 22.00 crore) cash credit facility and Rs. 43.40 crore (enhanced from Rs. 14.40 crore) term loan facilities of Rucha Engineers Private Limited (REPL)<sup>†</sup> to [ICRA]A- (pronounced ICRA A minus) from [ICRA]BBB+ (pronounced ICRA triple B plus). ICRA has also revised the short term rating assigned to the Rs. 4.00 crore (enhanced from Rs. 3.00 crore) short term non fund based facilities and Rs. 0.60 crore (reduced from Rs. 1.60 crore) unallocated facilities of REPL to [ICRA]A2+ (pronounced ICRA A two plus) from [ICRA]A2 (pronounced ICRA A two). The outlook on the long term rating is Stable.

The revision in the ratings takes into account increased scale of operations and improved transparency due to amalgamation of three group companies into REPL. The amalgamation has also given rise to increased operational synergies where the company can utilize various manufacturing facilities and manpower more efficiently. Additionally, distribution of fixed costs over a larger revenue base will provide financial synergies to the company. After amalgamation, the management has rationalized businesses in various group companies and stopped some of the loss making businesses during current fiscal. Though the same has impacted revenue performance to some extent, it is likely to be a short term impact and overall benefit in terms of improved profitability will be reaped over a longer period. The company has a healthy share of business with its top customer and the same has been improving gradually, which has translated into robust revenue performance over last two fiscals. The same, however, is resulting into sizeable customer concentration risk. The management is focussing on diversification of customer base over last few years; however the share of new customers remains modest at present. Sanand plant of the company is operating at weak capacity utilization levels and the same is impacting overall performance to some extent. Limited value addition in the product profile is evidenced in moderate profitability performance over the years; however the management is putting efforts towards increasing value addition through use of innovative technologies and results of the same will be visible over the medium to long term. Nevertheless, ICRA continues to derive comfort from healthy financial risk profile supported by efficient working capital management as well as long standing experience of promoters in auto ancillary industry. Improvement in profitability by increasing value addition in the product profile, along with higher capacity utilization of the Sanand plant and diversification of the customer base would be the key rating sensitivities going forward.

### Company Profile

Rucha Engineers Private Limited was established in 1998 at Waluj MIDC in Aurangabad. It has press, fabrication and stamping facilities and manufactures three wheeler chassis, silencers, jacks, heavy duty sheet metal components and assemblies. It also has a paint shop for surface coating (two coat single bake liquid painting). Primary customers for REPL is Bajaj Auto Limited (BAL) and to a smaller extent other automobile OEMs. The company also supplies chassis components to Tata Nano. Towards this, it has established an auto-ancillary plant at Sanand. Besides this, the Company also supplies components, such as chain cover and petrol tanks, to two-wheeler vehicles of BAL. During the last year, the company amalgamated its group companies Rucha Technologies Private Limited (was engaged in manufacturing of auto components for multi-national OEMs, tools and dies), Rohit Exhaust System Private Limited (was engaged in manufacturing of modular furniture components) and Vax Infradevelopers Limited (a non operational entity) into itself in order to achieve operational and financial synergies.

<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>†</sup> For complete rating definition, please refer to ICRA website [www.icra.in](http://www.icra.in) or any of the ICRA Rating Publications.



### Recent Results

REPL has reported a profit after tax (PAT) of Rs. 14.7 crore in FY15 on an operating income of Rs. 467.2 crore. The company has reported operating profit before depreciation, interest, amortization and tax (OPBDITA) of 32.8 crore in the same period.

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