

Press Release

National Engineers (NE)

02 February, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.5.25 Cr
Long Term Rating	SMERA B+/Stable (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) to the above mentioned bank facility of National Engineers (NE). The outlook is '**Stable**'.

NE, a Goa-based proprietorship concern established in 1995 is engaged in the manufacturing of stone crusher machines.

List of key rating drivers and their detailed description

Strengths:

Experienced management: The proprietor, Mr Walter Almeida, has over two decades of experience in the said line of business.

Moderate financial risk profile: The moderate financial risk profile is marked by healthy interest coverage ratio (ICR) of 3.44 times in FY2016 and gearing of 1.24 times as on March 31, 2016.

Weaknesses:

Modest scale of operations: The firm has modest scale of operations with operating income of Rs.16.21crore in FY2015-16.

Working capital intensive operation: The operations are working capital intensive as reflected in the Gross current assets owing to high inventory days of 122. As informed by the management the firm utilises 100 per cent of its working capital limits.

Declining margins: The EBITDA margin has declined during the period under study from 18.91 per cent in FY2014 to 14.55 per cent in FY2016 due to increase in raw material cost. The PAT margin has been uneven and improved to 8.25 per cent in FY2016 from 1.95 per cent in FY2015 and 3.67 per cent in FY2014. The increase in PAT margin is due to increase in sales.

Analytical Approach: SMERA has considered the standalone business and financial risk profiles of the firm.

Applicable Criteria

- Manufacturing Entities: <https://www.smera.in/criteria-manufacturing.htm>
- Application of financial ratio and adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that National Engineers will maintain a stable outlook in the medium term and continue to benefit from its experienced management. The outlook may be revised to 'Positive' if the scale of operations increases substantially while also maintaining operating profitability. Conversely, the outlook may be revised to 'Negative' in case of failure to achieve scalability amidst intensifying competition in its area of operations or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Firm

National Engineers was established as a proprietorship firm in 1995. The firm is engaged in the manufacturing of stone crusher machines at Colva, Goa.

For FY2015-16, NE reported net profit of Rs.1.34 crore on operating income of Rs.16.21 crore, as compared with profit after tax of Rs.0.15 crore on operating income of Rs.7.54 crore in FY2014-15.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	5.10	SMERA B+ /Stable (Assigned)	-	-	-	-	-	-
Proposed Cash Credit	LT	0.15	SMERA B+ /Stable (Assigned)	-	-	-	-	-	-

*Annexure – Details of instruments rated:

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Cash Credit	NA	NA	NA	5.10	SMERA B+ /Stable (Assigned)
Proposed Cash Credit	NA	NA	NA	0.15	SMERA B+ /Stable (Assigned)

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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