

## Press Release

### National Engineers

January 15, 2020



### Rating Reaffirmed

|                                     |   |
|-------------------------------------|---|
| <b>Total Bank Facilities Rated*</b> | Rs. 6.00 Cr.<br>(Enhanced from Rs.5.25 crore) |
| <b>Long Term Rating</b>             | ACUITE B+ / Outlook: Stable<br>(Reaffirmed)   |

\* Refer Annexure for details

### Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) to the Rs.6.00 crore bank facilities of NATIONAL ENGINEERS (NE). The outlook is '**Stable**'.

Established in 1995, NE is a proprietorship firm promoted by Mr. Walter Almeida. The firm is engaged in manufacturing of stone crushing, screening and material handling machines. NE has its manufacturing facility located at Kundaim Industrial Estate, Goa.

### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of NE to arrive at this rating.

### Key Rating Drivers

#### Strengths

- **Experienced management**

Established in 1995, Mr. Walter Almeida has experience of almost three decades in machinery manufacturing industry. NE's established operational track record of more than two decade has helped to maintain long standing relations with customers and suppliers.

#### Weaknesses

- **Small scale of operations and fluctuating profitability margins**

NE has small scale of operations marked by operating income of Rs.13.85 crore in FY2019 as against Rs.12.93 crore in FY2018 and Rs.10.54 crore in FY2017. The company has booked revenue of ~Rs.8 crore for the period April to September, 2019. Also, the operating margins stood fluctuating at 10.20 percent in FY2019 as against 13.12 percent in FY2018 and 11.71 percent in FY2017. Further, Profit after Tax (PAT) stood at 2.59 percent in FY2019 as against 4.26 percent in FY2018 and 2.43 percent in FY2017. The fluctuation in profitability margins is majorly on account of fluctuation in cost of raw materials.

Acuité believes that the firm's ability to register significant growth in its revenues while improving its profitability are key rating sensitivity factors over the medium term.

- **Working capital intensive operations**

The working capital operations are intensive marked by Gross Current Assets (GCA) of 303 days in FY2019 and 308 days in FY2018. The inventory holding and receivable stood high at 135 days and 164 days in FY2019 as against 138 days and 170 days in FY2018, respectively. The firm's working capital limits over the last six months period was utilized at an average of ~90 per cent.

Acuité believes that the ability of the group to efficiently manage its working capital requirements will remain key rating sensitivity.

### Rating Sensitivities

- Substantial reduction in GCA days to around 200-230 days.
- Substantial improvement in scale of operation (~Rs. 45.00-50.00 crore), while maintaining profitability margin of around 11.4-13.4 per cent over the medium term.

### Material Covenants

None

### Liquidity position: Adequate

The firm has adequate liquidity marked by its moderate net cash accruals as compared to its maturing debt obligations. The company generated cash accruals of Rs. 0.6 crore - Rs. 0.8 crore during the last three years through 2017-19; while the maturing debt obligations were nil over the same period. The cash accruals are estimated to be in the range of Rs. 0.7 crore - Rs. 0.9 crore during 2019-21, while its repayment obligations are expected to be nil over the same period. The company maintains cash and bank balances of Rs. 0.11 crore as on March 31, 2019. Acuité believes that the liquidity of the firm is likely to remain adequate over the medium term on account of moderate cash accrual over the medium term.

### Outlook: Stable

Acuité believes that NE will maintain a 'Stable' outlook and benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' if the company reports higher than expected revenues and profitability margins while managing its working capital operations efficiently. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues and profitability or elongation in the working capital cycle leading to deterioration in the financial risk profile.

### About the Rated Entity - Key Financials

|                               | Unit    | FY19 (Actual) | FY18 (Actual) |
|-------------------------------|---------|---------------|---------------|
| Operating Income              | Rs. Cr. | 13.85         | 12.93         |
| PAT                           | Rs. Cr. | 0.36          | 0.55          |
| PAT Margin                    | (%)     | 10.20         | 13.12         |
| Total Debt/Tangible Net Worth | Times   | 2.38          | 2.77          |
| PBDIT/Interest                | Times   | 1.82          | 2.04          |

### Status of non-cooperation with previous CRA (if applicable)

Not Applicable

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

### Rating History (Upto last three years)

| Date        | Name of Instrument / Facilities | Term      | Amount (Rs. Cr.) | Ratings/Outlook              |
|-------------|---------------------------------|-----------|------------------|------------------------------|
| 30-Apr-2019 | Cash Credit                     | Long Term | 5.10             | ACUITE B+ (Indicative)       |
|             | Proposed Cash Credit            | Long Term | 0.15             | ACUITE B+ (Indicative)       |
| 02-Feb-2018 | Cash Credit                     | Long Term | 5.10             | ACUITE B+ (Indicative)       |
|             | Proposed Cash Credit            | Long Term | 0.15             | ACUITE B+ (Indicative)       |
| 02-Feb-2017 | Cash Credit                     | Long Term | 5.10             | ACUITE B+ /Stable (Assigned) |
|             | Proposed Cash Credit            | Long Term | 0.15             | ACUITE B+ /Stable (Assigned) |

**\*Annexure – Details of instruments rated**

| Name of the Facilities | Date of Issuance | Coupon Rate    | Maturity Date  | Size of the Issue (Rs. Cr.)          | Ratings/Outlook                |
|------------------------|------------------|----------------|----------------|--------------------------------------|--------------------------------|
| Cash Credit            | Not Applicable   | Not Applicable | Not Applicable | 6.00<br>(Enhanced from Rs. 5.25 Cr.) | ACUITE B+ /Stable (Reaffirmed) |

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**About Acuité Ratings & Research:**

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