

Press Release

National Engineers

January 15, 2020

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 6.00 Cr. (Enhanced from Rs.5.25 crore)
Long Term Rating	ACUITE B+ / Outlook: Stable (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. Acuite 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

Acuite 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 (Enhanced from Rs. 5.25 Cr.)	ACUITE B+ /Stable (Reaffirmed)

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in Grishma Muni Analyst - Rating Operations Tel: 022-49294035 grishma.muni@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in

About Acuite Ratings & Research:

Acuite Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuite rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuite ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuite, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuite is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuite ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuite.