

Press Release

National Engineers

September 26, 2022



Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	6.00	ACUITE B+ Reaffirmed & Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	6.00	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating of 'ACUITE B+' (read as ACUITE B plus) on the Rs.6.00 Cr. bank facilities of National Engineers (NE). The rating is being withdrawn on account of the request received from the firm and the NOC received from the banker as per Acuite's policy on withdrawal of ratings.

About the Company

Established in 1995, National Engineers is a proprietorship firm promoted by Mr. Walter Almeida. The proprietor has over 3 decades of experience in the said line of business. The firm is engaged in manufacturing of stone crushing, screening and material handling machines. National Engineers has its manufacturing facility located at Kundaim Industrial Estate, Goa.

Analytical Approach

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

Key Rating Drivers

Strengths

>Experienced management and established track record of operations

The proprietor, Mr. Walter Almeida, has over three decades of experience in the machinery manufacturing industry. NE's established operational track record of more than two decades has helped to maintain long standing relationship with its customers and suppliers.

Acuite believes that the proprietor's extensive experience, long track record of operations and healthy relationship with customers and suppliers is expected to support its business risk profile over the medium term.

Weaknesses

> Working Capital Intensive operations

NE's operations continue to remain intensive, though an improvement in working capital cycle is recorded as on March 31, 2022 (Prov.). The Gross Current Asset days (GCA) of the firm stood at 251 days as on March 31, 2022(prov) against 373 days as on March 31, 2021. The inventory days stood at 170 days as on March 31, 2022 against 186 days as on March 31,

2021. The inventory holding policy of the firm depends from product to product. The debtors' days stood at 65 days as on March 31, 2022) against 201 days as on March 31, 2021. The credit period depends from customer to customer. The creditor days stood at 45 days as on March 31, 2022 (Prov.) as against 77 days as on March 31, 2021.

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

> **Below Average Financial risk profile**

The financial risk profile of the firm is below average marked by low net worth, moderate gearing and modest debt protection metrics. The tangible net worth of the firm stood at Rs.4.60 cr as on 31 March 2022(prov) as against Rs.3.19 crore as on 31 March 2021. Total debt of the firm stood at Rs.9.06 cr in FY2022(prov) as against Rs.8.63 Cr in FY2021. Total debt in FY2022(prov) comprises of Rs.1.08 crore of unsecured loan and Rs.8.88 crore of short term debt. Gearing (debt-equity) stood moderate at 1.97 times as on 31 March 2022(prov) as against 2.70 times as on 31 March, 2021. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 2.75 times as on 31 March 2022(prov) as against 3.97 times as on 31 March, 2021. The debt protection metrics of the firm is modest with Interest Coverage Ratio of 2.77 times for FY2022(prov) as against 2.39 times for FY2021. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.18 times for FY2022(prov) as against 0.13 times for FY2021.

> **Small scale of operations and fluctuating margins**

NE has small scale of operations marked by an operating income Rs.21.87 Cr in FY2022(prov) as against Rs.13.10 Cr in FY2021. The operating margin of the firm declined to 11.81 percent in FY2022(prov) as against 15.03 percent in FY2021. The decline is largely on account of increase in material cost and employee cost. The net profitability margin of the firm also declined to 6.43 percent in FY2022(prov) as against 7.07 percent in FY2021. 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.

Rating Sensitivities

> Growth in revenue with sustainability of the profitability margins.

> Any deterioration of its financial risk profile and liquidity.

> Any elongation of the working capital cycle leading to deterioration in debt protection metrics

Material covenants

None

Liquidity Position: Stretched

NE's liquidity profile is stretched marked by elongated working capital cycle and modest net cash accruals. The GCA days of the firm stood at 251 days as on March 31, 2022. The firm generated cash accruals of Rs.1.66 Cr in FY2022(prov). The firm maintains unencumbered cash and bank balances of Rs. 0.13 crore as on March 31, 2022(prov). The current ratio of the firm stood moderate as it stands at 1.22 times as on March 31, 2022(prov) as against 1.10 times as on 31 March 2021.

Outlook: Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	21.87	13.10
PAT	Rs. Cr.	1.41	0.93
PAT Margin	(%)	6.43	7.07
Total Debt/Tangible Net Worth	Times	1.97	2.70
PBDIT/Interest	Times	2.77	2.39

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument<https://www.acuite.in/view-rating-criteria-55.htm>**Rating History**

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
23 Jun 2022	Secured Overdraft	Long Term	6.00	ACUITE B+ (Issuer not co-operating*)
06 Apr 2021	Secured Overdraft	Long Term	6.00	ACUITE B+ Stable (Reaffirmed)
15 Jan 2020	Cash Credit	Long Term	6.00	ACUITE B+ Stable (Reaffirmed)
30 Apr 2019	Proposed Cash Credit	Long Term	0.15	ACUITE B+ (Issuer not co-operating*)
	Cash Credit	Long Term	5.10	ACUITE B+ (Issuer not co-operating*)
02 Feb 2018	Cash Credit	Long Term	5.10	ACUITE B+ (Issuer not co-operating*)
	Proposed Cash Credit	Long Term	0.15	ACUITE B+ (Issuer not co-operating*)
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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE B+ Reaffirmed & Withdrawn

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Radhika Kolwankar Analyst-Rating Operations Tel: 022-49294065 radhika.kolwankar@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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