

Press Release

Finearcs Systems Private Limited

July 30, 2020



Rating Withdrawn

Total Bank Facilities Rated	Rs. 15.00 crore
Long Term Rating	ACUITE BBB- (Withdrawn)
Short Term Rating	ACUITE A3 (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has reviewed and withdrawn the long term rating of '**ACUITE BBB-**' (read as ACUITE triple B minus) and the short term rating of '**ACUITE A3**' (read as ACUITE A three) on the Rs.15.00 crore bank facilities of Finearcs Systems Private Limited (FSPL). The rating has been withdrawn on account of request received from the company and NOC received from the banker.

FSPL, a Pune-based private limited company, was incorporated in 1986. The company is engaged in manufacturing, conceptualisation, design, and installation of dedicated automated arc welding systems for welding, cutting and automation solutions. The company has core expertise in robotics, automation, system integration, jigs and fixtures, plasma processing, and pick and place systems. The two manufacturing plant is located at in Pimpri and Urawade located in Maharashtra. The manufacturing of small welding machines is carried out at Pimpri unit and Robotics (line operations) is carried out at Urawade unit.

Analytical Approach

Acuité has considered the standalone financial and business risk profiles of the company to arrive at the ratings.

Key Rating Drivers

Strengths

- **Experienced management and reputed clientele**

The company is led by Mr. Shrikant Pathak (Managing Director), who possesses extensive experience of over four decades in the welding industry. He is further supported by his son, Mr. Rahul Shrikant Pathak, who has been with FSPL for over a decade and Mr. Milind Kelkar, son-in-law of Mr. Shrikant Pathak, is also actively involved in the business since the last 15 years. The long-standing presence of the aforementioned in the industry has helped to establish long term relations with reputed clients, OEMs and Tier I suppliers. The OEMs such as Benteler Automotive India Private Limited, Bajaj Auto Limited, Bharat Seats Limited and Cosma International India Private Limited, among others. The company is also well supported by the second line of management.

- **Moderate Financial risk profile**

The company has a moderate financial risk profile marked by net worth of Rs. 24.66 crore as on March 31, 2020 (Provisional) as against Rs.16.92 crores as on March 31, 2019. The gearing of the company stands at 0.28 times as on March 31, 2020 (Provisional) as against 0.51 times as on March 31, 2019. The debt of Rs. 6.89 crore as on March 31, 2020 (Provisional), mainly consists of short term debt. The debt protection metrics are marked by Interest Coverage Ratio, which stood at 12.85 times as on March 31, 2020 (Provisional) as against 6.29 times as on March 31, 2019. Debt Service Coverage Ratio (DSCR) of the company stands at 9.52 times for FY2020 (Provisional) as against 5.08 times as on FY2019. Further, NCA/TD stood at 0.86 times for FY2020 (Provisional) as against 0.33 times for FY2019.

- **Improving Working capital cycle**

Improvement in a working capital cycle is evident from Gross Current Assets (GCA) of 73 days as on March 31, 2020 (Provisional) as against 108 days as on March 31, 2019. The company provides credit period of 59 days for FY2020 (Provisional) as compared to 76 days for FY2019 to its customers. The company has maintained an inventory of 64 days for FY2020 (Provisional) as against 258 days in FY2019. However, the company enjoys a credit period from the suppliers in the range of 50 days to 230 days for the period FY2018-20.

Weaknesses

- **Cyclical associated with end-user industry and impact of covid-19**

Industry in which FSPL operates is highly cyclical and is inherently cyclical because of its high dependence on end-user industry like Automobiles, steels and industrial machinery. These end-user industries are witnessing slowdown and decline in demand due to the impact of Covid-19. The revenue is also dependent on the growth of its end-user industries and margins are susceptible to raw material prices like steel. Further, receivables are expected to take longer realisation having a direct impact on the working capital cycle of FSPL.

Liquidity Position: Adequate

The company Liquidity profile of FSPL is adequately reflected by sufficient net cash accruals against no maturing debt obligations. The company has net cash accruals in the range of Rs.2.30-5.95 crore for the period FY2018-2020. The GCA days of the company stood at 140 days for FY2020 (Provisional) as against 364 for FY2019. The company maintains unencumbered cash and bank balances of Rs.3.91 crore as on March 31, 2020 (Provisional). The current ratio of the company stands modest at 2.01 times as on March 31, 2020(Provisional).

Rating Sensitivities

Not Applicable

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	106.75	55.07
PAT	Rs. Cr.	5.42	2.15
PAT Margin	(%)	5.08	3.90
Total Debt/Tangible Net Worth	Times	0.28	0.51
PBDIT/Interest	Times	12.85	6.29

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-52.htm>
- Manufacturing Entities -<https://www.acuite.in/view-rating-criteria-59.htm>
- 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 (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
13-May-2019	Cash Credit	Long Term	9.00	ACUITE BBB-/ Stable (Reaffirmed)
	Letter of Credit	Short Term	6.00**	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	6.00**	ACUITE A3 (Reaffirmed)
14-May-2018	Cash Credit	Long Term	9.00	ACUITE BBB-/ Stable (Reaffirmed)
	Letter of Credit	Short Term	6.00**	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	6.00**	ACUITE A3 (Reaffirmed)
20-Apr-2017	Cash Credit	Long Term	9.00	ACUITE BBB-/ Stable (Assigned)
	Letter of Credit	Short Term	6.00**	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	6.00**	ACUITE A3 (Assigned)

**Maximum non-fund based limit not to exceed Rs.6.00 crore. LG & BG limits are fully interchangeable

*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	9.00	ACUITE BBB- (Withdrawn)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	6.00**	ACUITE A3 (Withdrawn)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	6.00**	ACUITE A3 (Withdrawn)

**Maximum non-fund based limit not to exceed Rs.6.00 crore. LG & BG limits are fully interchangeable.

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About Acuité Ratings & Research:

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