

Press Release

ACME Toolings

September 07, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 4.60 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB**' (read as **ACUITE BB**) to the Rs. 4.60 crore bank facilities of ACME Toolings. The outlook is '**Stable**'.

Established in 2001 by Mr. Rajan K, Acme Toolings is a Hyderabad (Telangana) based proprietorship firm. The entity is engaged in manufacture of thermoset and thermoplastic moulds which finds application in Electrical, Electronics, Home Appliances and Automobile segments.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced management and established track record of operations

The Promoter has around two decades of experience in the automobile engineering industry. The entity benefits from established track record of operations of over a decade. The entity has over a decade of relationship with the major customers like Amara Raja Batteries Limited, Excidie Industries Limited, HBL Power Systems Limited, Mahindra & Mahindra Ltd, V-Guard Industries Ltd. The entity as on July 2018 has orders to the extent of ~Rs.9.00 crore, which provides revenue visibility over the next two quarters. Acuite believes that the established relationship with customers and long track record of the entity would drive the business profile over the medium term.

• Comfortable financial risk profile

The financial risk profile is marked by low gearing and healthy debt protection metrics, though underpinned by moderate net worth. The net worth stood at Rs.5.36 crore as on 31 March, 2018 (Provisional) increased by Rs.2.69 crore as compared to FY2017; the firm made the capex of Rs.3.66 crore for the purchase of machines for its new plant in FY2018 (Provisional) funded via promoters infusion of Rs.1.23 crore and rest through term loans of Rs.3.00 crore. Gearing is comfortable at 0.74 times (Provisional) as on March 31, 2018 as compared to 1.11 times as on March 31, 2017. Total outside liabilities to tangible net worth (TOL/TNW) stood moderate at 1.33 times as on March 31, 2018 (Provisional) as compared to 2.07 times as on March 31, 2017. Debt protection metrics of interest coverage ratio (ICR) and net cash accruals to total debt (NCA/TD) are healthy at 9.44 times and 0.56 times respectively for FY2018 (Provisional). Acuite believes that the financial risk profile is expected to improve over the medium term in the absence of major debt funded capex over the medium term.

• Moderate working capital operations

Acme toolings has efficient working capital operations as evident from Gross Current Assets (GCA) days of 114 as on March 31, 2018 (Provisional) as against 79 days as on March 31, 2017. The increase in GCA days was mainly due to moderate inventory and debtor levels. The debtor days stood at 72 as on March 31, 2018 (Provisional). Moderate working capital management has led to ~60 percent utilisation of working capital limits over the past six months ended July 2018. Acuite believes that the working capital operations of the company will remain moderate as evident from moderate collection mechanism and inventory levels in the business.

Weaknesses

• Moderate scale of operations

Acme toolings operations are moderate in the range of Rs.13.0 - 14.5 crore over the past three years through FY2018 with revenues at Rs.14.83 crore (Provisional). The moderate revenues are partly attributed to capacity constraints.

• Cyclicity in demand, volatility in raw material prices

The industry continues to face pricing pressures and cyclical demand in the original equipment manufacturer (OEM) market. Volatility in the prices of commodities which form part of the key raw materials, such as steel alloys will be key determinants in operating profitability. However, in the recent past with improving industrial production, vehicle sales have seen uptick in demand. If the trend continues, demand for auto components will get a boost in the short to medium term.

Outlook: Stable

Acuite believes that the outlook on Acme Toolings will remain 'Stable' over the medium term on account of the experience of the promoters in the engineering industry. The outlook may be revised to 'Positive' in case the firm registers significant growth in its revenues while maintaining its profitability. Conversely, the outlook may be revised to 'Negative' in case of any significant stretch in its working capital management leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	14.83	14.49	12.85
EBITDA	Rs. Cr.	2.47	2.35	2.05
PAT	Rs. Cr.	1.46	1.32	1.23
EBITDA Margin	(%)	16.64	16.22	15.99
PAT Margin	(%)	9.87	9.11	9.60
ROCE	(%)	23.09	29.89	61.80
Total Debt/Tangible Net Worth	Times	0.74	1.11	0.65
PBDIT/Interest	Times	9.44	11.94	12.41
Total Debt/PBDIT	Times	1.59	1.23	0.84
Gross Current Assets (Days)	Days	114	79	71

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	3.85	ACUITE BB / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.75	ACUITE BB / Stable

Contacts

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About Acuité Ratings & Research:

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