Press Release

Olympic Engineers Private Limited

March 29, 2019

Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs. 9.55 Cr. (Enhanced from Rs. 6.55 crore)
Long Term Rating	ACUITE BB+ / Outlook: Stable

* *Refer Annexure for details*

Rating Rationale

Acuité has reaffirmed the long-term rating of **'ACUITE BB+' (read as ACUITE double B plus)** to the Rs. 6.55 crore bank facilities of OLYMPIC ENGINEERS PRIVATE LIMITED (OEPL). Further, Acuité has assigned the long-term rating of **'ACUITE BB+' (read as ACUITE double B plus)** to the Rs. 3.00 crore bank facilities of OEPL. The outlook is **'Stable'**.

OEPL, incorporated in 2011, is a Haryana based company promoted by Mr. Komal Singal and Mr. Viney Singal. OEPL is engaged in manufacturing of LPG valves and regulators required to manufacture LPG cylinders. The company has manufacturing capacity of 4 lac units per month of LPG regulators and 9 lac units per month of LPG valves with utilisation of 70 percent.

Analytical Approach
Acuité has considered standalone business and financial risk profile of OEPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

  The promoters of the company have more than a decade of experience in the said line of business through their sister concerns which are into manufacturing of cylinders and LPG valves.

- **Comfortable financial risk profile**

  The financial risk profile of OEPL is comfortable marked by tangible net worth of Rs.12.22 crore as on 31 March, 2018 (PY: Rs.3.32 crore) on account of healthy accretion to reserves. The gearing (debt/equity) ratio stood at 0.52 times as on 31 March, 2018 (PY: 2.19 times). The gearing has decreased on account of significant increase in the level of profits in FY2018 over FY2017 resulting in comfortable coverage indicators. The total debt of Rs.6.30 crore outstanding as on 31 March, 2018 comprises Rs.5.64 crore as secured term loan from the financial institute and Rs.0.66 crore as short term working capital borrowing. The interest coverage ratio stood healthy at 20.46 times in FY2018 (PY: 7.64 times) and DSCR stood at 8.05 times in FY2018 (PY: 3.48 times). The net cash accruals increased to Rs.9.31 crore in FY2018 (PY: Rs.2.13 crore). The net cash accruals to total debt ratio stood at 1.48 times in FY2018 (PY: 0.29 times).

- **Continuous improvement in operating income with moderate profitability**

  OEPL has registered continuous improvement in operating income during the period FY2016 to FY2018 under the study. The operating income stood at Rs.129.62 crore in FY2018 as against Rs.56.03 crore in FY2017 and Rs.21.48 crore in FY2016. Further, the company has registered ~Rs.112.41 crore for the period April to February, 2019 (Provisional). The operating profitability of OEPL is healthy at 10.61 percent in FY2018 (PY: 6.56 percent). The margins have improved on account of significant drop in raw material prices, mainly brass rod and zinc alloy which is used to manufacture valves and regulators. The net profitability has improved to 6.87 percent in FY2018 (PY: 3.39 percent). The improvement in net profitability was on account of significant increase in level of operating profits along with the operating income.

- **Comfortable working capital cycle**

The working capital cycle of OEPL is comfortable marked by Gross Current Assets (GCA) of around 38 days in FY2018 (PY: 74 days). The GCA days have improved on account of better realisation from receivable and inventory in FY2018 over FY2017. The inventory and receivable days are comfortable at 16 days and 21 days in FY2018, respectively. The company has its operating cycle ranging between 30 to 60 days because the valves and regulators are manufactured within 30 to 40 days. The average bank limit utilisation stood at 90 percent for the last six months ended February, 2019.

Weaknesses

- **Highly competitive and fragmented industry**

The valve and regulator manufacturing industry is highly fragmented and competitive, with several unorganised players in the market. Such high fragmentation limits the pricing flexibility and bargaining power of players. The threat from large integrated players in the form of capacity additions limits OEPL's growth. Acuité believes that OEPL's modest scale of operations in a highly fragmented industry limits its ability to fully pass on any cost increases to customers in view of the increased competition in the sector.

Liquidity Position

OEPL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. OEPL generated cash accruals of Rs.9.31 crore to Rs.2.13 crore during the last three years through 2017- 18, while its maturing debt obligations were in the range of Rs.0.81crore- Rs.0.57 crore over the same period. The cash accruals of OEPL are estimated to remain around Rs.6.00 crore to Rs.8.00 crore during 2019- 21, while its repayment obligations are estimated to be around Rs.0.95 crore to Rs.1.02 crore. OEPL has comfortable working capital cycle marked by Gross Current Assets (GCA) of around 38 days in FY2018; this has led to lower reliance on the working capital borrowings. The CC limit remains utilised at 80 per cent for the last six months ended February, 2019. Acuité believes that the liquidity of the OEPL is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuité believes that OEPL will remain 'Stable' over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company achieves higher than expected revenue and profit margins while effectively managing its working capital. The outlook may be revised to 'Negative' in case of a lower-than-expected revenues and profitability margins, or deterioration in its working capital management.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	129.62	56.03	21.48
EBITDA	Rs. Cr.	13.75	3.68	0.70
PAT	Rs. Cr.	8.90	1.90	0.12
EBITDA Margin	(%)	10.61	6.56	3.25
PAT Margin	(%)	6.87	3.39	0.55
ROCE	(%)	89.68	43.39	26.22
Total Debt/Tangible Net Worth	Times	0.52	2.19	2.97
PBDIT/Interest	Times	20.46	7.64	2.30
Total Debt/PBDIT	Times	0.46	2.07	4.57
Gross Current Assets (Days)	Days	38	74	52

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
- Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-20.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-4.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
29-Oct-2018	Cash Credit	Long term	2.00	ACUITE BB+ / Stable (Assigned)
	Term loans	Long term	4.55	ACUITE BB+ / 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	2.00	ACUITE BB+ / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	4.55	ACUITE BB+ / Stable (Reaffirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB+ / Stable (Assigned)
Proposed term loan	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BB+ / Stable (Assigned)

Contacts

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About Acuité Ratings & Research:
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