Press Release

Fluid Controls Private Limited

D-U-N-S® Number: 65-041-8700

May 28, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs. 16.80 Cr.
Long Term Rating	ACUITE BBB / Outlook: Stable
Short Term Rating	ACUITE A3+

** Refer Annexure for details*

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB**' **(read as ACUITE triple B)** and short term rating of **'ACUITE A3+' (read as ACUITE A three plus)** on the Rs. 16.80 crore bank facilities of Fluid Controls Private Limited (FCPL). The outlook is **'Stable'**.

FCPL, incorporated in 1981, is promoted by late Dr. Yunus Moochhala. The company is engaged in manufacturing of instrumentation erection hardware, ranging from instrumentation fittings, valves, manifolds and clamps, and SAE flanges. Headquartered in Mumbai, the group has manufacturing facilities in Pune and Goa, including a state-of-the-art R&D Centre and testing laboratory. It is recognised as an 'In-house R&D Unit' by the Department of Scientific & Industrial Research. The day to day operations are looked after by Ms. Sophie Yunus Moochhala.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of Fluid Controls Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

  FCPL has an established track record of about three decades in this line of business catering to a reputed clientele base in India and abroad. The company is engaged in manufacturing of instrumentation erection hardware, ranging from instrumentation fittings, valves, manifolds and pipe clamps and flanges.

  The Directors of the company, Ms. Sophie Y Moochhala (Director) has about two decades of experience and Niloufer Y Moochhala (Director) possesses more than a decade's experience in this industry. Over the years, the Directors have built strong customer base, resulting in repeat orders and has also ventured into global markets. The company has healthy operating efficiency, driven by the change in product mix and expansion of customer base. The same is also reflected through its improving operating margin, which has remained in the range of 6-13 percent during the last three years. Also, the promoters' established presence is reflected through its healthy customer base and favorable credit terms extended to customers. The company extends a credit of around 80-90 days to its customers. The company has a manufacturing plant for fittings and valves at Maharashtra and pipe clamps at Goa.

- **Healthy revenue growth**

  The company's revenues have grown to Rs.60.11 crore in FY2018 from Rs.37.52 crore in FY2017 and Rs.35.02 crore in FY2016. Over the years, the company has built a wide network and healthy trade relations with domestic as well as overseas clients. Further, the company has started selling its valves to Indian Railways. Acuité expects that the company will record healthy revenue growth over the medium term on account of increase in customer base and increase in production capacity. Thus, Acuité expects a sustainable growth in revenues coupled with moderate operating profitability over the medium term.

- **Healthy financial risk profile**

The company has healthy financial risk profile marked by healthy net worth, low gearing and healthy debt protection metric. The net worth stood at Rs.17.41 crore as on March 31, 2018, which has witnessed sequential improvement from Rs.8.62 crore as on March 31, 2016. The accretion to net worth was mainly on account of steady operating profitability leading to higher accretion to reserves. The company has followed a conservative financial policy in the past as reflected by its peak gearing of 0.53 times over the last three years through 2017-18.

The gearing of the company stood at 0.39 times, as on March 31, 2018. The total outside liabilities to tangible net worth ratio also stood low at around 1.45 times as on March 31, 2018. Its total debt of Rs.6.77 crore as on March 31, 2018 (Rs.4.86 crore as on March 31, 2017) includes term loans (current and non-current portion) of Rs.1.21 crore and working capital borrowings of Rs.5.57 crore. The company has recorded healthy revenue growth coupled with moderate operating margin, resulting in healthy debt protection metrics. The interest coverage ratio (ICR) of the company stood healthy at around 20.25 times as on 31 March, 2018 and the net cash accruals to total debt stood moderate at 1.03 times as on March 31, 2018.

The debt service coverage ratio (DSCR) stood at 11.59 times for FY2018. The company's annual net cash accruals (PAT + Depreciation) were ~Rs.7.00 crore for FY2018 and expected to be ~Rs.16.00 crore, against which it had annual repayment obligations is ~Rs.1.06-1.18 crore. Acuité believes that the company will maintain a healthy financial risk profile on the back of gradual growth in revenue, sustenance of its profitability margins and conservative financial policy.

- **Working capital intensive operations**

The company's operations are working capital intensive marked by high Gross Current Asset (GCA) of 226 days in FY2018 compared to 184 days in FY2017. The GCA days are high in FY2018 partially on account of high cash and bank balance as on 31 March 2018. However, inventory and debtor days stood moderate at 61 and 85 respectively as on 31 March 2018.The Company's reliance on working capital facilities has remained very low. Acuité believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Liquidity Position

FCPL has healthy liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.1.26 to 7.00 crore during the last three years through 2017-18, while its maturing debt obligations were in the range of Rs.0.17 to 0.63 crore over the same period. The cash accruals of the company are estimated to improve around Rs.19.20 – 19.52 crore during 2019-21, while its repayment obligations are estimated to be around Rs.1.06–1.39 crore. The GCA days are high in FY2018 partially on account of high cash and bank balance as on 31 March 2018. However, inventory and debtor days stood moderate at 61 and 85 respectively as on 31 March 2018.The company's reliance on working capital facilities has remained very low. The company maintains unencumbered cash and bank balances of Rs.8.55 crore as on March 31, 2019 (Provisional). The current ratio of the group stood healthy at 1.57 times as on March 31, 2018. The company has undertaken capex of Rs.7.24 crore over the medium which is funded by external borrowing of Rs.4.29 crore and remaining by internal accrual. Acuite believes that the liquidity of the company is likely to remain healthy over the medium term on account of healthy cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuité believes that FCPL will maintain 'Stable' business risk profile on account of its experienced management and current capital structure. The outlook may be revised to 'Positive' in case the company registers substantial increase in its profitability margins supported by healthy revenue growth and effective working capital management. Conversely, the outlook may be revised to 'Negative' in case of any sharp decline in the company's profitability margins or deterioration in the financial risk and liquidity profiles.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	60.11	37.52	35.02
EBITDA	Rs. Cr.	8.01	5.07	2.35
PAT	Rs. Cr.	6.05	2.67	0.76
EBITDA Margin	(%)	13.33	13.50	6.70
PAT Margin	(%)	10.07	7.10	2.17
ROCE	(%)	41.83	29.70	30.05
Total Debt/Tangible Net Worth	Times	0.39	0.44	0.53
PBDIT/Interest	Times	20.25	9.99	2.46
Total Debt/PBDIT	Times	0.71	0.98	1.82
Gross Current Assets (Days)	Days	226	184	191

Status of non-cooperation with previous CRA (if applicable)
None

Any other information
Not Applicable

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
- Trading Entities - https://www.acuite.in/view-rating-criteria-6.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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.85	ACUITE BBB / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A3+
Term loans	Not Applicable	Not Applicable	Not Applicable	3.54	ACUITE BBB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A3+
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.41	ACUITE A3+

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About Acuité Ratings & Research:
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