

## Press Release

### Aimengineers India Private Limited

June 16, 2022

### Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1.07	-	ACUITE A4   Assigned
Bank Loan Ratings	20.93	ACUITE B   Stable   Assigned	-
Total Outstanding Quantum (Rs. Cr)	22.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE B**' (read as **ACUITE B**) and short-term rating of '**A4**' (read as **A four**) on the Rs. 22.00 crore bank facilities of Aim Engineers Pvt Ltd (AEIPL). The outlook is '**Stable**'.

#### Rationale for Rating Assigned:

The rating assigned takes into account the experienced management and established track record of operations of AEIPL. The strengths are partially offset by below average financial risk profile, working capital intensive nature of operations and stretched liquidity position of AEIPL as reflected in its continuous high utilisation of bank limits. Going forward significant improvement in the scale of operations while maintaining profitability or reduction in working capital cycle will be a key monitorable.

#### About the Company

Pune based Aimengineers India Private Limited was incorporated as a partnership firm in 2008 by Mr. Abbasali Abdulgani Choudhary, Mr. Mohammad Abdulgani Choudhary and Mr. Mahiboobali Abdulgani Choudhari. The firm was later converted into a pvt ltd company in 2018. The Company is engaged in manufacturing of Stainless Steel and Carbon Steel equipments which are required for chemical, food, and mining and construction industries. The company currently has its factory in Chakan, Pune with a total production capacity of 500 tonnes per month.

#### Analytical Approach

Acuite has considered the standalone view of the business and financial risk profile of AEIPL to arrive at the rating.

#### Key Rating Drivers

#### Strengths

### > **Experienced management and established track record of operations**

Aimengineers India Private Limited started operations in 2008 as a partnership firm to manufacture stainless steel and carbon steel equipments. The Company is owned and operated by Mr. Abbasali Abdulgani Choudhary, Mr. Mohammad Abdulgani Choudhary and Mr. Mahiboobali Abdulgani Choudhary, each of whom have more than 2 decades of experience in the steel industry. The directors are involved in day to day operations of the Company and are ably supported by a strong line of mid-level managers. AEIPL's operating income stood at Rs.49.33 crore in FY22(Prov.) as compared to Rs.23.12 crore in FY21 and Rs.33.60 in FY20. The increase in revenue in FY22 is mainly on account of one major order received during the year.

Acuité believes the experience of the directors and its established track record of operations will help the company in maintaining their business risk profile over the medium term.

### **Weaknesses**

#### > **Below Average Financial Risk Profile**

AEIPL has a below average financial risk profile marked by low networth, high gearing and low coverage indicators. The tangible networth stood at Rs.6.40 crore as on March 31, 2022(Prov.) as against Rs.5.03 crore as on March 31, 2021 and Rs.6.09 crore as on March 31, 2020. The increase in the networth in FY22 is due to the accretion of profits to reserves and equity infusion of Rs. 0.89 crore. AEIPL's overall gearing remained high at 3.04 times as on 31 March, 2022(Prov.) as against 4.19 times as on 31 March, 2021 and 2.68 times as on 31 March, 2020. The gearing decreased in FY22 due to higher accruals and scheduled reduction in debt. The total outside liabilities to tangible net worth (TOL/TNW) of the company stood at 3.84 times as on March 31, 2022(Prov.) as against 5.52 times as on March 31, 2021 and 3.54 times as on March 31, 2020. The coverage ratios of the company remained moderate with Interest Coverage Ratio (ICR) of 1.98 times in FY22(Prov.) as against 1.17 times in FY21 and 2.27 times in FY20. The Debt Service Coverage Ratio (DSCR) stood at 0.82 times in FY22(Prov.) as against 0.51 times in FY21.

Acuité expects the financial risk profile to remain below average over the medium term in view of the debt-funded capex plan.

#### > **Working Capital Intensive Nature of Operations**

AEIPL has working capital intensive nature of operations marked by improved yet high GCA days of 111 days as on March 31, 2022(Prov.) as against 245 days as on March 31, 2021 and 153 days as on March 31, 2020. The improvement in FY22 (Prov.) is due to timely clearance of inventory and improved realisations from debtors. The inventory days stood at 77 days in FY22(Prov.) as against 179 days in FY21 and 93 days in FY20. The debtor days stood at 15 days in FY22(Prov.) as against 45 days in FY21 and 18 days in FY20. The creditor days stood at 36 days in FY22(Prov.) as against 103 days in FY21 and 44 days in FY20. The average utilization of the fund based bank limits of the company remained at 99.88% percent for last six months period ended April' 22.

Acuité believes that the company's ability to maintain its working capital efficiently will remain a key rating sensitivity.

### **Rating Sensitivities**

- > Improving scale of operations while maintaining profitability margins
- > Elongation of working capital cycle
- > Further deterioration in liquidity position

### **Material covenants**

None

### **Liquidity Position: Poor**

AEIPL's liquidity position is poor marked by modest net cash accruals of Rs.2.27 crore against its maturing debt obligations of Rs. 3.25 crore in FY2022. The company is expected to generate net cash accruals of Rs.1.7-2.6 crores in FY23-24 as against maturing debt obligations of Rs.3.5-4.5 crore over the same period. The company's reliance on working capital is very high marked by almost full utilization of CC during the last six months period ended April'22.

Furthermore, the company maintained unencumbered cash and bank balances of Rs.0.39 crore as on March 31, 2022(Prov.). The current ratio stood moderate at 2.97 times as on March 31, 2022 (Prov.) as against 2.36 times as on March 31,2021 and 2.77 times as on March 31, 2020.

### Outlook: Stable

Acuité believes that AEIPL will maintain a 'Stable' outlook over medium term on account of experience of its management, and established track record of operations. The outlook may be revised to 'Positive' in case the Company achieves higher than expected improvement in its scale of operations while maintaining its profitability. Conversely, the outlook may be revised to 'Negative' in case of slower than expected growth in scale of operations or any further elongation in its working capital cycle impacting its liquidity profile.

### Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	49.33	23.12
PAT	Rs. Cr.	0.49	(1.37)
PAT Margin	(%)	1.00	(5.91)
Total Debt/Tangible Net Worth	Times	3.04	4.19
PBDIT/Interest	Times	1.98	1.17

### 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>
- 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:

Not Applicable

### Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Abhyudaya Cooperative Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE B   Stable   Assigned
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.07	ACUITE A4   Assigned
Abhyudaya Cooperative Bank	Not Applicable	Term Loan	28-03-2019	Not available	28-03-2029	14.93	ACUITE B   Stable   Assigned

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### About Acuité Ratings & Research

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