Press Release

AIMENGINEERS INDIA PRIVATE LIMITED

August 19, 2023

Rating Reaffirmed and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	18.08	ACUITE BB- | Stable | Upgraded	-
Bank Loan Ratings	3.92	-	ACUITE A4 | Reaffirmed
Total Outstanding Quantum (Rs. Cr)	22.00	-	-

Rating Rationale

Acuité has upgraded the long-term rating to **'ACUITE BB-' (read as ACUITE double B minus)** from **'ACUITE B' (read as ACUITE B)** and reaffirmed the short-term rating of **'ACUITE A4' (read as ACUITE A four)** on the Rs. 22.00 crore bank facilities of Aimengineers India Private Limited (AEIPL). The outlook is **'Stable'**.

Rationale for rating upgrade

The rating upgrade of AEIPL takes into account stable operating income generated by the company during FY2023 and FY2022 with improved profitability margins during FY2023 as against FY2022. It also draws comfort from company's experienced management with an established track record of operations, increase in the order values and improved liquidity position marked by adequate net cash accruals (NCA) to its maturing debt obligations. The rating is however constrained by the company's below average financial risk profile and working capital-intensive operations. Going forward, ability of the company to improve its scale of operations and maintain profitability margins along with improving its financial risk profile, while improving and maintaining an efficient working capital cycle will remain a key rating sensitivity factor.

About the Company

AEIPL incorporated in 2008 as a partnership firm which was later converted into a private limited company in 2018, is engaged in the manufacturing of stainless steel and carbon steel equipments required for chemical, food, mining and construction industries. The company currently has its factory in Chakan, Pune with a production capacity of 200 tonnes per month.

Analytical Approach

Acuité 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

AEIPL has an operational track record of over a decade in manufacturing stainless steel and carbon steel equipments. The company is promoted by its directors Mr. Abbasali Abdulgani Choudhary, Mr. Mohammad Abdulgani Choudhary and Mr. Mahiboobali Abdulgani Choudhary. The directors possess an extensive experience of over two decades in the steel industry and are supported by its team of experienced professionals in managing day to day operations of AEIPL. The extensive experience of the management has enabled AEIPL to establish a healthy relationship with its customers and suppliers.

Acuité believes that AEIPL will continue to benefit from its experienced management and established track record of operations.

Stable operating income albeit improved profitability

AEIPL generated revenue of Rs.39.97 Cr during FY2023 as against Rs.39.76 Cr during FY2022. The company achieved this marginal improvement based on the stable orders of ~Rs.40 Cr received over the last two years towards manufacturing of various equipments for its clienteles across various sectors such as defence, mining, chemical, food and beverages amongst others. Despite of recording marginal growth in the operating income during FY2023, the company's operating and net profitability margin however stood improved at 16.40 percent and 4.93 percent respectively in FY2023 as against 10.72 percent and 0.03 percent respectively last year on account of reduced steel prices. Prices of MS steel plates, which is a key raw material been used by the company in manufacturing the equipments had surged significantly in last year, which got stabilised in FY2023.

For the current year FY2024, company has received orders worth Rs.60 Cr and are further expecting additional orders worth Rs.15 Cr to Rs.20 Cr by Q3 FY2024. The orders are expected to be executed during FY2024 which provides adequate revenue visibility in near to medium term. Apart from this, company is also undertaking capex to increase its existing production capacity of 200 tonnes per month to 350 tonnes per month by installing additional machineries which are expected to be operational by Q3 FY2024.

Acuité believes that ability of AEIPL to improve its scale of operations and maintain profitability margins will remain a key rating sensitivity factor.

Weaknesses

Below average financial risk profile

Financial risk profile of AEIPL is below average marked by modest networth, moderate gearing and average debt protection metrics. The networth of the company stood improved albeit remained modest at Rs.8 Cr as on 31 March, 2023 as against Rs.5 Cr as on 31 March, 2022. There has been an equity infusion of Rs.1.44 Cr during FY2023. The gearing (debt-equity) stood improved at 2.19 times as on 31 March, 2023 as against 4.12 times as on 31 March, 2022. The gearing of the company is expected to improve and remain moderate over the medium-term despite of increase in the debt levels upon undertaking debt funded capex of installing new machineries to increase the production capacity. The total debt of Rs.18 Cr as on 31 March, 2023 consists of long term bank borrowings of Rs.12 Cr and short term bank borrowings of Rs.6 Cr.

The interest coverage ratio and DSCR stood improved at 2.86 times and 1.40 times for FY2023 as against 1.86 times and 0.78 times for FY2022. The Net Cash Accruals to Total debt stood improved at 0.21 times for FY2023 as against 0.10 times for FY2022. The Total outside liabilities to Tangible net worth stood improved albeit remained high at 3.18 times for FY2023 as against 5.40 times for FY2022. The Debt-EBITDA ratio stood improved albeit remained high at 2.72 times for FY2023 as against 4.55 times for FY2022.

Acuité believes that ability of AEIPL to improve its financial risk profile over the medium term will remain a key rating sensitivity factor.

Working capital intensive operations

The working capital operations of AEIPL are intensive marked by its Gross Current Assets (GCA) of 131 days for FY2023 which stood at similar levels of FY2022. The inventory cycle of the company stood elongated at 121 days for FY2023 as against 97 days for FY2022 whereas the receivables cycle stood at 12 days for FY2023 as against 15 days for FY2022. The operations of the company are project based and the gestation period is around six months due to which the work in progress inventory of the company is usually high. This makes the company dependent on bank borrowings for its working capital requirement and therefore the average bank limit utilization for 6 months' period ended June 2023 stood high at ~94 percent.

Further, the creditors cycle of the company stood at 58 days in FY2023 as against 47 days in FY2022.

Acuité believes that the ability of AEIPL to improve and maintain an efficient working capital cycle over the medium term will remain a key rating sensitivity factor.

Rating Sensitivities

- Ability to improve scale of operations and maintain profitability margins
- Ability to improve financial risk profile
- Ability to improve and maintain an efficient working capital cycle

Material covenants

None

Liquidity Position - Adequate

AEIPL has adequate liquidity position marked by sufficient net cash accruals (NCA) to its maturing debt obligations. The company generated cash accruals in the range of Rs.1 Cr to Rs.4 Cr during FY2021 to FY2023 against its debt repayment obligation in the range of Rs.1 Cr to Rs.3 Cr during the same period. Going forward, the NCA are expected in the range of Rs.6 Cr to Rs.7 Cr for the period FY2024-FY2025 against its debt repayment obligation in the range of Rs.2 Cr to Rs.3 Cr during the same period. The working capital operations of the company are however intensive marked by its gross current asset (GCA) days of 131 days for FY2023. This makes the company dependent on bank borrowings for its working capital requirement and therefore the average bank limit utilization for 6 months' period ended June 2023 stood high at ~94 percent. Current ratio stands at 0.98 times as on 31 March 2023. The company has maintained cash & bank balance of Rs.0.09 Cr in FY2023.

Acuité believes that liquidity of AEIPL is likely to remain adequate over the medium term on account of sufficient cash accruals against its maturing debt obligations.

Outlook: Stable

Acuité believes that AEIPL will maintain 'Stable' outlook over the medium term on account of its experienced management with an established track record of operations. The outlook may be revised to 'Positive' in case of significant and sustained growth in revenue and profitability while effectively managing its working capital cycle and keeping the debt levels moderate. Conversely, the outlook may be revised to 'Negative' in case of lower than expected growth in revenue or deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	39.97	39.76
PAT	Rs. Cr.	1.97	0.01
PAT Margin	(%)	4.93	0.03
Total Debt/Tangible Net Worth	Times	2.19	4.12
PBDIT/Interest	Times	2.86	1.86

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
In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
16 Jun 2022	Proposed Bank Facility	Short Term	1.07	ACUITE A4 (Assigned)
	Term Loan	Long Term	14.93	ACUITE B | Stable (Assigned)
	Cash Credit	Long Term	6.00	ACUITE B | Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Abhyudaya Cooperative Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE BB- | Stable | Upgraded (from ACUITE B)
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	3.92	ACUITE A4 | Reaffirmed
Abhyudaya Cooperative Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	12.08	ACUITE BB- | Stable | Upgraded (from ACUITE B)

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.