



**Press Release**  
**Saa Ab Engineering Private Limited (Erstwhile Saab Engineering)**  
**August 14, 2024**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	75.00	ACUITE BBB   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	75.00	-	-

**Rating Rationale**

Acuite has reaffirmed the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs.75.00 Cr. bank facilities of SAA AB Engineering Private Limited (Erstwhile SAAB Engineering)(SEPL). The outlook is '**Stable**'.

**Rationale for Rating Reaffirmation**

The reaffirmation of the rating reflects an improvement in the business risk profile, driven by an increase in operating income and profitability. The operating income recorded a year-on-year growth of approximately 21.48% in FY2024 (Provisional) compared to FY2023, with revenue reaching Rs. 425.10 crore in FY2024 (Provisional) against Rs. 349.94 crore in FY2023. The operating profit margin of the company improved and stood at 11.73 percent in FY24(Prov.) compared against 8.79 percent in FY23. The increase in revenue and profitability is attributed to new orders from existing customers. Additionally, the capital expenditure (CAPEX) for new plants has enhanced the overall efficiency of the company. Furthermore, the company benefits from its established relationships with both customers and suppliers.

However, the rating is constrained by moderation in net worth as a result of transition from partnership firm to private limited company. The same has resulted in moderation of leverage ratios. Further, rating is constrained on account of the moderately intensive working capital operations and high reliance on working capital limits.

Going ahead, the company's ability to maintain steady growth in its scale of operations and profitability and improvement in the capital structure and overall financial risk profile while restricting any significant elongations in working capital cycle will remain key monitorable.

## About the Company

SEPL is a Bangalore based company established in 1989 promoted by Mr. Ajay Balagopal and Mr. Sanjiv Balagopal. IT has four manufacturing units with facilities for forging and machining of automotive components. The company started its full-fledged operations from FY2023 onwards when the partnership firm – Saab Engineering (SE) transferred its business ( apart from partner's capital and land & building) to private limited company – SEPL. The company manufactures various automotive components and supplies components to several reputed players Lucas TVS Ltd, SEG Automotive - Group, Bosch-Group, Schaeffler Group, Valeo India Private Limited, Subros Ltd among others.

## Unsupported Rating

Not Applicable

## Analytical Approach

Acuité has taken the standalone view of the business and financial risk profile of SEPL to arrive at the rating.

## Key Rating Drivers

### Strengths

#### **Experienced management with an established track record of operations and reputed clientele**

SEPL (earlier SE- partnership firm) has an operational track record of more than three decades. Mr. Ajay Balagopal and Mr. Sanjiv Balagopal are the promoters of the company, having an extensive experience of over three decades in the engineering and auto ancillary industry. They are supported seasoned professionals in managing the daily operations. These factors have enabled SEPL establishing a healthy relationships with reputed clienteles like - Lucas TVS Ltd, SEG Automotive Group, Bosch Group, Schaeffler Group, Valeo India Private Limited, Subros Ltd. amongst the others.

Acuité believes that SEPL will continue to benefit from its experienced management with an established track record of operations, and the reputed clientele.

#### **Moderate financial risk profile**

Financial risk profile of SEPL is moderate marked by moderate network, gearing levels and debt coverage indicators. The tangible net worth of the company stood at Rs.42.96 crore as on 31 March 2024(Prov.) as against Rs.14.56 crore as on 31 March 2023. The net worth has improved on account of accretion of profits to reserves and infusion of equity which is pending for allotment. However, before transfer of business into private limited company, the firm had network of Rs.57.10 Cr. (as of March 31, 2022), which was retained in the partnership firm. Hence, the network of the private limited company stands lower as of March 31, 2024(Prov.) (Rs.42.96 Cr.) in comparison to network as of March 31, 2022( Rs.57.10 Cr.) The gearing level of the company stood at 3.47 times as on 31 March 2024(Prov.) as against 6.98 times as on 31 March 2023. The total debt of the company stood at Rs.149.01 crore as on March 31, 2024(Prov.) comprising of Rs.42.00 Cr. of long term loans, Rs.6.19 Cr. of USL, and Rs.91.22 Cr. of short term debt.

Debt protection metrics of the company are moderate marked by Interest Coverage Ratio (ICR) of 4.14 times for FY24(Prov.) against 3.43 times for FY23. Debt Service Coverage Ratio (DSCR) of 1.92 times for FY24(Prov.) against 1.31 times for FY23. The total outside liabilities to tangible net worth (TOL/TNW) of the company stood high though improved to 5.17 times as of March 31, 2024(Prov.) as against 13.85 times as of March 31, 2023. The Debt/EBITDA levels stood at 2.99 times as of March 31, 2024(Prov.) as against 3.27 times as of March 31, 2023.

Acuité believes that the ability of the company to improve its financial risk profile over the medium term on account of expected healthy accruals generation will remain a key monitorable.

### Weaknesses

#### **Moderately working capital intensive operations**

The working capital operations of SEPL is moderately intensive, marked by the Gross Current Assets (GCA) days of 139 days as on March 31, 2024(Prov.) as against 156 days as on March 31, 2023. The inventory levels stood at 54 days for FY24(Prov.) when compared against 61 days for FY23. The debtor days stood at 76 days for FY24(Prov.) against 98 days for FY23. The creditor days stood at 99 days for FY24(Prov.) against 82 days for FY23. The average utilization of the bank limits of the company stood high at ~94.68 % in last 6 months ended July 24.

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

### **Competitive nature of auto ancillary business and its susceptibility to cyclicalities to automotive industry**

FACTPL is present in highly competitive auto ancillary business which has large number of small and large players who have a varied appetite for technology. Majority of the high margin and technology intensive works are picked up by larger players who can set aside funds for research and development. The less technologically intensive and production activities are passed on to smaller players in the market. Automobile industry is highly cyclical with demand moving with larger economic cycle, customer preferences, government policies etc. Acuite believes that SEPL will continue to remain exposed to the volatility in demand for the products and dependency on OEMs

### **Rating Sensitivities**

- Ability to grow its scale of operations and improve profitability.
- Ability to improve its capital structure and overall financial risk profile.
- Ability to improve and maintain an efficient working capital cycle.

### **Liquidity Position Adequate**

The company has an adequate liquidity position marked by sufficient net cash accruals against its maturing debt obligations. The company generated cash accruals of Rs.29.99 crore in FY24(Prov.) compared against Rs. 9.86 crore maturing debt obligation over the same period. The company maintained unencumbered cash and bank balances of Rs.0.56 crore as on March 31, 2024(Prov.). The current ratio stood average at 0.94 times as on March 31, 2024(Prov.).The reliance on working capital limits is high with average utilization of ~94.68% over the last 6 months ended July 2024. The company is expected to assume additional working capital limits in the near term. Going ahead, liquidity position is expected to remain adequate on account of generation of sufficient cash accruals for repayment of its debt obligations.

### **Outlook: Stable**

Acuité believes that SE will maintain a 'Stable' outlook in the medium term backed by its promoter's extensive experience and established relations with customers. The outlook may be revised to 'Positive' in case of higher than expected improvement in its revenues while improving the profitability, capital structure and overall financial risk profile along with efficient working capital operations. Conversely, the outlook may be revised to 'Negative' in case of any significant decline in the company's revenue or profitability or further deterioration in the working capital cycle, or further weakening of its current ratio, or any significant debt funded capital expenditure leading to the deterioration of its financial risk profile and liquidity.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	425.10	349.94
PAT	Rs. Cr.	23.39	14.57
PAT Margin	(%)	5.50	4.16
Total Debt/Tangible Net Worth	Times	3.47	6.98
PBDIT/Interest	Times	4.14	3.43

### 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, Acuite 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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
19 May 2023	Cash Credit	Long Term	32.00	ACUITE BBB   Stable (Reaffirmed)
	Working Capital Demand Loan (WC DL)	Long Term	0.74	ACUITE BBB   Stable (Reaffirmed)
	Cash Credit	Long Term	18.50	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	3.75	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	1.98	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	2.06	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	2.41	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	1.41	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	6.40	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	2.45	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	2.72	ACUITE BBB   Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	0.58	ACUITE BBB   Stable (Reaffirmed)
18 Feb 2022	Term Loan	Long Term	2.41	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	2.06	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	1.98	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	3.75	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Cash Credit	Long Term	18.50	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Working Capital Demand Loan (WC DL)	Long Term	0.74	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Cash Credit	Long Term	32.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	1.41	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	6.40	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	2.45	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	2.72	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Proposed Long Term Bank Facility	Long Term	0.58	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	18.50	ACUITE BBB   Stable   Reaffirmed
Kotak Mahindra Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	32.00	ACUITE BBB   Stable   Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.58	ACUITE BBB   Stable   Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Term Loan	01 Aug 2024	Not avl. / Not appl.	31 Jul 2029	Simple	3.75	ACUITE BBB   Stable   Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.98	ACUITE BBB   Stable   Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.06	ACUITE BBB   Stable   Reaffirmed
Small Industries Development Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.41	ACUITE BBB   Stable   Reaffirmed
Small Industries Development Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.41	ACUITE BBB   Stable   Reaffirmed
Small Industries Development Bank of India	Not avl. / Not appl.	Term Loan	10 Aug 2022	Not avl. / Not appl.	10 Jan 2029	Simple	6.40	ACUITE BBB   Stable   Reaffirmed
Small Industries Development Bank of India	Not avl. / Not appl.	Term Loan	10 Feb 2023	Not avl. / Not appl.	10 Jan 2027	Simple	2.45	ACUITE BBB   Stable   Reaffirmed
Small Industries Development Bank of India	Not avl. / Not appl.	Term Loan	10 Feb 2022	Not avl. / Not appl.	10 Jan 2026	Simple	2.72	ACUITE BBB   Stable   Reaffirmed
Kotak Mahindra Bank	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.74	ACUITE BBB   Stable   Reaffirmed



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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.

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