



Press Release
MADERU ENGINEERING PRIVATE LIMITED
April 30, 2025
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	30.00	ACUITE B+ Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	30.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned the long-term rating at '**ACUITE B+ (read as ACUITE B plus)**' on the Rs. 30 Cr. bank facilities of Maderu Engineering Private Limited. The outlook is '**Stable**'.

Rationale for rating

The rating takes into cognizance experienced promoters and relationship with their clientele; however these are partly offset by below average financial risk profile, declining revenues albeit increasing operating profitability and stretched liquidity,

About the Company

Karnataka based Maderu Engineering Private Limited, incorporated in 2021, previously known as Paragon Engineering Works is one of the solution providers and manufacturers of modern-day sheet metal forming in Bangalore. The company is engaged in Sheet Metal Press Components, Electrical and Electronics, Assemblies and Sub-Assemblies Automotive and Non-Automotive Parts.

The operations of the company are managed by Mr. Gowda Venkate Gowda Mayur and Mr. Munibygowda Venkate Gowda.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered standalone business risk profile and financial risk profile of Maderu Engineering Private Limited to arrive at its rating.

Key Rating Drivers

Strengths

Benefits derived from Experienced management

The operations of the company are managed by Mr. Gowda Venkate Gowda Mayur and Mr. Munibygowda Venkate Gowda who hold experience in the automobile components industry. The clientele base of the company includes TE Connectivity India Private Limited, Schaeffler India limited among others. Acuite believes that the experienced promoters and their relationship with their customers will benefit the company going forward.

Weaknesses

Declining Revenues albeit increase in operating profitability

The revenues have decreased to Rs. 15.80 Cr. as on March 31, 2024 as compared to Rs. 20.01 Cr. as on March 31, 2023 on account of scaling down of production due to ongoing capex. The operating profitability has increased to 18.66 percent as on March 31, 2024 as compared to 7.41 percent as on March 31, 2023. The increase in margins are on account of transition from two wheeler components to four wheeler components, axels and brakes which command better margins.

The company is undergoing a capex for construction of building and purchase of machineries at Hoskote, Bangalore for Rs. 25.50 Cr. to be funded by term loan(already tied up with Canara Bank) of Rs. 16.91 Cr. and promoters contribution of Rs. 8.59 Cr. The capex is expected to be completed by September 2026. Acuite believes that with the augmentation of this capex, the revenues of the Company are expected to increase over the medium term.

Below Average Financial Risk Profile

The financial risk profile is marked below average, net worth stood at Rs. 4.79 Cr. as on March 31, 2024 as compared to Rs. 3.13 Cr. as on March 31, 2023 due to accretion of reserves. Gearing stood at 2.12 times as on March 31, 2024 as against 2.37 times as on March 31, 2023. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 3.02 times as on March 31, 2024 as compared to 3.83 times as on March 31, 2023. The debt protection metrics is marked by Interest Coverage Ratio at 3.15 times as on March 31, 2024 as compared to 1.89 times as on March 31, 2023 and Debt Service Coverage Ratio at 1.37 times as on March 31, 2024 as compared to 0.79 times as on March 31, 2023. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.20 times as on March 31, 2024 as compared to 0.10 times as on March 31, 2023. Acuité believes that financial risk profile is expected to remain at similar levels due to new debt funded capex and its impact on debt protection metrics over the medium term.

Intensive working capital management

The intensive working capital management is marked by Gross Current Assets (GCA) of 402 days as on March 31, 2024 as compared to 234 days as on March 31, 2023. The debtor days stood at 50 days as on March 31, 2024 as compared to 69 days as on March 31, 2023. Furthermore, the inventory days stood at 334 days as on March 31, 2024 as compared to 175 days as on March 31, 2023. A majority of the inventory is kept at the year end in anticipation of the new production schedules and due to large number of SKUs, because the company has to maintain buffer stocks to meet demand schedules. The company maintains raw material inventory of about 60-75 days and that of finished goods of about 10 days. The creditor days stood at 91 days as on March 31, 2024 from 78 days as on March 31, 2023. Acuité believes that going forward the working capital operations of the company will remain intensive over the medium term.

Rating Sensitivities

Movement in revenues and operating profitability

Working Capital cycle

Timely completion and stabilization of the new capex

Liquidity Position

Stretched

The liquidity is stretched marked by small but steady net cash accruals, moderate current ratio, debt funded capex plans and high reliance on bank debts to fund the working capital requirements. The net cash accruals stood at Rs. 2.01 Cr. as on March 31, 2024 as against long term debt repayment of Rs. 1.21 Cr. over the same period. The cash and bank balances stood at Rs. 0.17 Cr. as on March 31, 2024 as compared to Rs. 0.01 Cr. as on March 31, 2023. The current ratio stood at 1.41 times as on March 31, 2024 as compared to 1.36 times as on March 31, 2023. The average bank limit utilization stood at 99 percent over the last six months ended, January 2025. The Company is also undergoing a debt funded capex plan which is expected to reduce financial flexibility for the immediate future. Acuité believes that going forward the liquidity position of the company will remain stretched marked by small accruals, debt funded capex and high reliance on bank borrowings to fund the working capital requirement.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	15.80	20.01
PAT	Rs. Cr.	1.65	0.41
PAT Margin	(%)	10.47	2.02
Total Debt/Tangible Net Worth	Times	2.12	2.37
PBDIT/Interest	Times	3.15	1.89

Status of non-cooperation with previous CRA (if applicable)

None

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

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:Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4.09	Simple	ACUITE B+ Stable Assigned
Canara Bank	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	9.00	Simple	ACUITE B+ Stable Assigned
Canara Bank	Not avl. / Not appl.	Term Loan	12 Dec 2024	Not avl. / Not appl.	12 Nov 2036	16.91	Simple	ACUITE B+ Stable Assigned

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About Acuité Ratings & Research

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