

Press Release

Multimech Engineers

July 02, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 7.52 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (**read as ACUITE BB minus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs. 7.52 crore bank facilities of Multimech Engineers. The outlook is '**Stable**'.

Established in 2006, Multimech Engineers (ME) is a proprietorship firm based out of Coimbatore, Tamil Nadu engaged in manufacturing and fabrication of pressure vessels, Material handling equipment and Air volume tanks. The firm is promoted by Mr. Sivakumar.

Key Rating Drivers

Strengths

- Established track record of operations and experienced management**

Multimech Engineers is engaged in manufacturing of Industrial process equipment and fabrication, pressure vessels and leathel vessels since 2006. The promoter of the company Mr. Sivakumar possess more than 25 years of experience in the same line of business.

- Comfortable financial risk profile**

The financial risk profile of the company is moderate market by gearing ratio stood at 1.48 times as FY17 as against 0.77 times in previous year. Interest coverage ratio and DSCR ratio improved to 1.83 and 1.77 times respectively in FY17 as against 1.51 and 1.10 times respectively in FY16. EBITDA margins stood at 14.95 percent in FY17 as against 9.54 percent in FY 16. PAT margin remains at 2.87 percent in FY17 as against 2.14 percent in FY16. Efficiency ratios such as ROCE and Asset turnover ratio remains healthy with 17.88 percent and 3.08 times in FY17

Weaknesses

- Moderate Scale of Operation:**

In spite of being in operation since 2006 Multimech Engineers operates at moderate scale with operating income of Rs. 11.753 crore in FY 2016-17 and Rs.10.35 crore in FY 2015-16. Further, it has reported Rs. 10.27 crore as on 31 January, 2018. Acuité believes scale of operation to improve in medium term with the healthy order book of 15 crore as on 31st May, 2018

- Working capital intensive operations due to long gestation period**

The operations are working capital intensive in nature marked by gross current asset days (GCA) of 270 days in FY2017 as against 156 days in FY 2016. This is on account of long gestation period of around 6 months to execute a contract

Analytical Approach

Acuité has considered the standalone business and financial risk profile of Multimech Engineers

Outlook: Stable

Acuité believes that Multimech Engineers will maintain stable outlook over the medium term on the account of moderate financial risk profile and experienced management. The outlook may revised to 'Positive' in case increase in the scale of operation. The outlook may revised to negative if the working capital cycle deteriorate or reduced profitability.

ACUITE believes that Multimech Engineers will maintain stable outlook over the medium term on the account of moderate financial risk profile and experienced management. The outlook may revised to 'Positive' in case increase in the scale of operation. The outlook may revised to negative if the working capital cycle deteriorate or reduced profitability.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	12.35	11.73	10.35
EBITDA	Rs. Cr.	1.62	1.75	0.99
PAT	Rs. Cr.	0.50	0.34	0.22
EBITDA Margin	(%)	13.14	14.95	9.54
PAT Margin	(%)	4.08	2.87	2.14
ROCE	(%)	12.26	17.88	28.73
Total Debt/Tangible Net Worth	Times	1.03	1.48	0.77
PBDIT/Interest	Times	2.79	1.83	1.51
Total Debt/PBDIT	Times	3.27	3.05	2.68
Gross Current Assets (Days)	Days	255	270	156

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

ICRA, vide its press release dated November 15, 2017 had denoted the rating of Multimech Engineers as 'ICRA B/Stable/ICRA A4; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

Any other information

Not applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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	5.00	ACUITE BB- / Stable
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4
Term loans	Not Applicable	Not Applicable	Not Applicable	0.77	ACUITE BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.25	ACUITE A4

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About Acuité Ratings & Research:

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