

Rating Advisory

January 31, 2023 | Mumbai

The Acetech Machinery Components India Private Limited

Update as on January 31, 2023

This rating advisory is provided in relation to the rating of The Acetech Machinery Components India Private Limited

The key rating sensitivity factors for the rating include:

Upward factor

- Improvement in working capital cycle, with gross current assets improve to 200 days
- Significant reduction in customer concentration while improving revenue over the medium term
- Growth in revenue and steady operating margin, leading to higher cash accrual

Downward factor

- Further deterioration in working capital management.
- Cash accrual of below Rs 4 crore or lower-than-expected business performance or operating margins
- Large debt-funded capital expenditure weakens capital structure

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL Ratings is yet to receive adequate information from The Acetech Machinery Components India Private Limited (TAMCIPL) to enable it to undertake a rating review. CRISIL Ratings is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL Ratings views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings' criteria available at the following link, https://www.crisil.com/content/dam/crisil/criteria_methodology/basics-of-ratings/assessing-information-adequacy-risk.pdf)

If TAMCIPL continues to delay the provisioning of information required by CRISIL Ratings to undertake a rating review then, in accordance with circulars SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016, SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 and **SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dt January 3, 2020** issued by Securities and Exchange Board of India, CRISIL Ratings will carry out the review based on best available information and issue a press release.

About the Company

TAMCIPL, incorporated in 2006, is based in Coimbatore engaged in equipment manufacturing for several industries such as earth moving, construction, railways, energy, healthcare, textile, food processing and heavy fabrication etc.

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Rating Rationale

December 03, 2021 | Mumbai

The Acetech Machinery Components India Private Limited

'CRISIL BB+ / Stable / CRISIL A4+' assigned to Bank Debt

Rating Action

Total Bank Loan Facilities Rated	Rs.10 Crore
Long Term Rating	CRISIL BB+/Stable (Assigned)
Short Term Rating	CRISIL A4+ (Assigned)

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has assigned its 'CRISIL BB+/Stable/CRISIL A4+' ratings to the bank facilities of The Acetech Machinery Components India Pvt Ltd (TAMCIPL).

The rating reflects the experience of the promoters, above average financial risk profile. These strengths are partially offset by working capital intensity in operations and customer concentration in revenue.

Key Rating Drivers & Detailed Description

Strengths:

Promoters' extensive experience and established relationship with suppliers and customers:

The promoters have over two decades of experience in the component manufacturing industry and diversified business interests have led to established relationships with customers and suppliers. The company has maintained long relationships with key customer Caterpillar India Private Limited, the company has been receiving steady orders. These relationship with customers and suppliers should continue to support business risk profile.

Above-average financial risk profile:

Financial risk profile is above average backed by comfortable capital structure and debt protection metrics. Gearing is comfortable at 0.80 time as on 21 Mar 2021 and is expected to remain comfortable over the medium term. Debt protection metrics are adequate as reflected in interest coverage of 4.49 times and net cash accrual to adjusted debt of 0.22 time in fiscal 2021. Absence of any debt-funded capital expenditure (capex) plans should support the financial risk profile in the medium term.

Weaknesses:

Working capital intensity in operations:

Operations are working capital intensive, as reflected in gross current assets of around 303 days as on March 31, 2021; primarily due to receivables which stood at 192 days on the same date. Working capital requirements are expected to remain high over the medium term due to high receivables.

Exposure to customer concentration in revenue:

The top customer contributes around 70-80% of the total revenue, thus making the company vulnerable to customer concentration risk and policies of key customer. Any impact in the end-user industry can adversely impact the company's revenue. However, measures to be taken to diversify the end-user base and draft contracts strategically should minimize the impact.

Liquidity: Adequate

Net cash accrual, likely to be around Rs. 7-8 crore per fiscal over the medium term, is adequate to meet debt obligations of Rs 0.30 crore per annum and there is no significant planned capital expenditure. Bank limit utilization averaged 80% during 12 months through Sep 2021. Surplus accruals and unutilized bank lines should adequately fund working capital requirements over the medium term.

Outlook Stable

CRISIL Ratings believe TAMCIPL will continue to benefit from the extensive experience of its promoter, and established relationships with clients

Rating Sensitivity factors

Upward factor

- Improvement in working capital cycle, with gross current assets improve to 200 days
- Significant reduction in customer concentration while improving revenue over the medium term
- Growth in revenue and steady operating margin, leading to higher cash accrual

Downward factor

- Further deterioration in working capital management.
- Cash accrual of below Rs 4 crore or lower-than-expected business performance or operating margins
- Large debt-funded capital expenditure weakens capital structure

About the Company

TAMCIPL, incorporated in 2006, is based in Coimbatore engaged in equipment manufacturing for several industries such as earth moving, construction, railways, energy, healthcare, textile, food processing and heavy fabrication etc.

Key Financial Indicators

Particulars	Unit	2021*	2020
Revenue	Rs. Cr.	92.62	111.08
Profit After Tax	Rs. Cr.	3.31	3.54
PAT margin	%	3.6	3.2
Adjusted Debt/Adjusted Net worth	Times	0.80	0.73
Interest coverage	Times	4.49	4.02

*Provisional

Any other information: Not applicable

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity Levels	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	2	NA	CRISIL BB+/Stable
NA	Letter of Credit	NA	NA	NA	8	NA	CRISIL A4+

Annexure - Rating History for last 3 Years

Instrument	Current			2021 (History)		2020		2019		2018		Start of 2018
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	2.0	CRISIL BB+/Stable		--		--		--		--	--
Non-Fund Based Facilities	ST	8.0	CRISIL A4+		--		--		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit	2	Indian Bank	CRISIL BB+/Stable
Letter of Credit	8	Indian Bank	CRISIL A4+

This Annexure has been updated on 03-Dec-2021 in line with the lender-wise facility details as on 03-Dec-2021 received from the rated entity.

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
Rating Criteria for Engineering Sector
Understanding CRISILs Ratings and Rating Scales

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