



Press Release

Accurate Industrial Controls Private Limited (AICPL)

June 10, 2021

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	22.25	IVR BBB-/ Credit Watch with Developing Implication (IVR Triple B Minus Credit Watch with Developing Implication)	Assigned
Short Term Bank Facilities	42.00	IVR A3 (IVR A Three)	Assigned
Total	64.25 (Sixty-Four Crore & Twenty Five Lakh)		

Details of Facilities are in Annexure 1.

Detailed Rationale

The rating assigned to the bank facilities of Accurate Industrial Controls Private Limited (AICPL) derives strength from the Experienced management and long track record of operations, Healthy Financial Risk Profile and Established clientele albeit high customer concentration risk. The rating is however constrained by Working capital-intensive operations, Exposure to foreign exchange risk and Intense Competition.

The rating has placed under credit watch with developing implication to monitor the sales growth of the company as AICPL is entering into a new product i.e. Defence and energy segment, where it is likely to receive good amount of orders. Infomerics will continue to monitor the developments in this regard and will take a view on the ratings once the exact implications of the above on the credit risk profile of the company are clear.

Key Rating Sensitivities:

Upward Factors

- Substantial scaling up its operations while maintaining stable profitability margins.

Downward Factors

- Deterioration in business risk profile which impacts the debt protection metrics.

List of Key Rating Drivers with Detailed Description



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Key Rating Strengths

Experienced management and long track record of operations

AICPL is promoted by Mr. Kiran Jadhav. He is the Managing Director of the company. Mr. Kiran has more than two decades of experience in engineering industry. Having operated in industry since years now, the management has established a strong network with suppliers and customers.

Healthy Financial Risk Profile

Financial risk profile of the company is healthy marked by comfortable overall gearing and other debt coverage indicators. The overall gearing ratio of the Company stood at 0.79x as on March 31, 2021 (Provisional) as against 0.66x as on March 31, 2020. The TOL to Adjusted TNW stood healthy at 1.13x for FY21 (Provisional). The Interest coverage ratio stood healthy at 3.68x in FY21 (Provisional) as against 2.74x in FY20.

Established clientele albeit high customer concentration risk

The company, over the years, has developed an established relationship with large customers & OEM's. Key clients of the company include Adande Refrigeration Limits, Reliance Group and Bharat Electronics Limited. This is a strength for the company considering the B2B nature of the business and its diversified client base. However, top five customers contribute ~ 96% of its total revenue which indicates a high customer concentration risk.

Key Rating Weaknesses

Working capital-intensive operations

AICPL's business has moderately large working capital requirements, as reflected in the collection period of 111 days as on March 31, 2021(P) as against the average creditor days of 57 days for FY2021(P), implying working capital intensive operations. Moreover, the average working capital limits utilization stood at ~80% during the last 12 months period ended February'2021 leaving moderate liquidity buffer from its working capital limits.



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Exposure to foreign exchange risk

AICPL's ~20% raw material is imported, and company also has term loans in foreign currency which increases foreign currency risk of the company on its payables. However, company also does the export sales which reduces the foreign currency risk. The unhedged foreign currency exposure as on March 31, 2021 stood at Rs.7.98 crore.

Intense Competition

The company faces stiff competition from large, organised players and local panel manufacturing companies.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity –Adequate

The liquidity position of the company is expected to remain adequate in the near term, as company is generating sufficient cash accruals against its long-term debt obligations. Further, the company's current ratio and liquidity ratio stood at 1.68x and 1.17x respectively as on March 31, 2021(P). However, as the company's operations are working capital intensive in nature it leads to higher reliance on the working capital limits. The average bank limit utilization stood at approximately 80% for twelve months ended February 28 2021.

About the Company

Accurate Industrial Controls Private Limited (AICPL) was incorporated in 2001 in Pune, Maharashtra based diversified engineering, design and manufacturing company catering to Industrial Controls and Automation, Telecom, Automotive, Power Solutions for Indian Defence Embedded Electronics and IOT, Industrial Refrigeration, Renewable Energy and Hospitality Sectors with many MNCs. AICPL is in agreement with Adande Refrigeration, UK to manufacture industrial refrigeration.



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Financials (Standalone):

(Rs. In Crore)

For the year ended* As on	31-03-2020	31-03-2021
	Audited	Provisional
Total Operating Income	64.79	88.76
EBITDA	6.39	11.21
PAT	3.52	5.19
Total Debt	34.91	44.72
Tangible Net Worth	55.42	59.29
EBITDA Margin (%)	9.86	12.63
PAT Margin (%)	5.16	5.72
Overall Gearing Ratio (x)	0.66	0.79

*As per Infomerics Standards

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings(Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Fund Based Facility –Foreign Currency Term Loan	Long Term	11.70	IVR BBB-/ Credit Watch with Developing Implication	-	-	-
2.	Fund Based Facility – Cash Credit	Long Term	10.00	IVR BBB-/ Credit Watch with Developing Implication	-	-	-
3.	Fund Based Facility – Proposed Bank Facility	Long Term	0.55	IVR BBB-/ Credit Watch with Developing			



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				Implication			
4.	Non-Fund Based Facility – LC	Short Term	29.00	IVR A3	-	-	-
4.	Non-Fund Based Facility – BG	Short Term	13.00	IVR A3	-	-	-

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facility – Foreign Currency Term Loan	-	-	June, 2024	11.70	IVR BBB-/ Credit Watch with Developing Implication
Long Term Fund Based Facility – Cash Credit	-	-	Revolving	10.00	IVR BBB-/ Credit Watch with Developing Implication
Long Term Fund Based Facility – Proposed Bank Facility	-	-	-	0.55	IVR BBB-/ Credit Watch with Developing Implication
Short Term Non-Fund Based Facility – LC	-	-	-	29.00	IVR A3
Short Term Non-Fund Based Facility – BG	-	-	-	13.00	IVR A3

Annexure 2: Facility wise lenders details

<https://www.infomerics.com/admin/prfiles/Lenders-10-06-21-AICPL.pdf>