Rating Rationale

Nutech Engineering Technologies Ltd **27th June 2019**

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 14.05 Crores of Nutech Engineering Technologies Ltd.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (March 18)	Present
Fund based Term Loan Cash Credit	4.87 8.00	2.05 6.00	**Long Term**	**BWR BB-** (Pronounced as BWR Double B Minus) **(Outlook: Stable)**	**BWR BB-** (Pronounced as BWR Double B Minus) **(Outlook: Stable)** **(Reaffirmed)**
Non Fund Based Bank Guarantee Letter of Credit	3.00 4.50	2.00 4.00	**Short Term**	**BWR A4** (Pronounced as BWR A Four)	**BWR A4** (Pronounced as BWR A Four) **(Reaffirmed)**
Total	**20.37**	**14.05**	**INR Fourteen Crores and Five Lakhs Only**		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial statement upto FY18, provisional financial FY19 and publicly available information and information/clarifications provided by the company.

The rating derives strength from the promoter's experience over three decades in the Electrical equipment industry, moderate revenue , moderate liquidity position ,above average OPM and PAT margin and moderate Net Worth. However, the rating is constrained by High gearing, Low debt protection metrics and highly competitive industry due to large number of established players. Going forward, the ability of the Entity to accelerate its scale of operations, increase its profit margins, Compliance of Bank's sanction terms, efficiently manage its working capital and cash flows for timely servicing of interest/debt obligations , realisation of old receivables and strengthening of overall financial risk profile shall be the

key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- Experience of the promoters is over three decades in the same industry.
- Moderate Revenue reflected by operating income of Rs.15.13 Crs in FY18 VS Rs. 19.40Crs FY17 and PAT of Rs.0.19 Crs in FY18 VS Rs.0.22Crs in FY17.On Provisional basis company has reported TOI of Rs. 24.84 Crs & PAT of Rs. 0.47Crs in FY19.
- Moderate Liquidity Position with C. R at 2.69x in FY18 VS 1.52x in FY17.
- Above average Operating profit margin level increased marginally 22.27 % in FY18 VS 19.95% in FY17 .
- Moderate PAT margin 1.26% in FY18 VS 1.14% in FY17.
- Moderate level of NET WORTH.

Credit Risks:

- Low ISCR of 1.07x in FY18 VS 1.12x in FY17 and DSCR of 0.64x in FY18 VS 0.68x in FY17.
- High gearing ratio reflected by 1.73x in FY18 vs 2.00x in FY17.
- Stretched working capital cycle due to high inventory and Payable days.
- NETPL operates in a highly competitive industry characterised by large number of established players.

Liquidity Profile

The cash & cash equivalent stood at Rs.0.19 Crs as on March 2018.The average utilisation of the working capital is at moderate level 75 % in FY18.The Current ratio is above unity and stood at 2.69x as on March 2018.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: *Stable*

BWR believes the **Nutech Engineering Technologies Ltd** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Nutech Engineering Technologies Ltd. (NETL), was incorporated in 1986 at Mumbai. Mr Bishamber

Nath.R.Khurana is the Managing Director of the company. Mr. Vivek Khurana is other director of the company. The company was established for executing air-conditioning projects on turnkey basis. It later ventured into manufacturing of single/ double skin air handling units, centrifugal fans, ducts and air slide ancillaries like grilles, diffusers and dampers. The company supplies to corporates, pharma companies, hotels, Government institutions and industrial applications. NETL is ISO 9001 : 2008 certified. The plant is located at New Mumbai in a 10,000 sq metre space and has manufacturing capacity of 12000 handlers per annum. Manufacturing unit has capacity of up to 2,00,000 cfm or 18" SP. NETL's products are approved by BARC, NTPC, TIFR, Reliance Industries and BHEL.

Company Financial Performance

Total operating Income has reduced to ₹15.13 Cr in FY18 from ₹19.40Cr in FY17. PAT has reduced to ₹0.19Cr in FY18 from ₹0.22 Cr in FY17. The company reported provisional revenue ₹ 24.84 Cr and PAT ₹ 0.47 Cr, TNW ₹ 17.80 Cr, ISCR 1.35 x, DSCR 0.43 x and Current ratio 1.75 x in FY19.

Rating History for the last three years

S.No	Facility	Current Rating			Rating History		
		Tenure	Amount (₹ Crs)	Rating	29-Mar-2018	2017	2016
1	**Fund Based**	Long Term	8.05	**BWR BB-** (Pronounced as BWR Double B Minus) **(Outlook: Stable) (Reaffirmed)**	**BWR BB-** (Pronounced as BWR Double B Minus) **(Outlook: Stable)**	-	-
2	**Non Fund Based**	Short Term	6.00	**BWR A4** (Pronounced as BWR A Four) **(Reaffirmed)**	**BWR A4** (Pronounced as BWR A Four)	-	-
	Total		**14.05**	**₹ Fourteen Crores and Five Lakhs Only**			

Status of non-cooperation with previous CRA: NA

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	15.13	19.40
EBITDA	₹ Cr	3.37	3.87
PAT	₹ Cr	0.19	0.22
Tangible Net worth	₹ Cr	17.33	17.13
Total Debt/Tangible Net worth	Times	1.73	2.00
Current Ratio	Times	2.69	1.52

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Manufacturing Industry
- Short Term Debt

For any other criteria obtain hyperlinks from website

Analytical Contacts	Investor Contacts
Sushil Kumar Chitkara Associate Director - Ratings B :+91 22 2831 1426, +91 22 2831 1439 sushilkumar.c@brickworkratings.com **Ushadevi V Dogra** Ratings Analyst D : +91 22 6745 6650 B :+91 22 2831 1426, +91 22 2831 1439 ushadevi.d@brickworkratings.com	**Satish Nair** Director - Global Market Development & Investor Relations M : +91 7738875550 B : +91 22 6745 6666 satish.n@brickworkratings.com
1-860-425-2742	

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.