

Aerospace Engineers Private Limited

March 21, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	14.05	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	14.05 (Rs. Fourteen Crore and Five Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Aerospace Engineers Private Limited (AEPL) to monitor the rating vide e-mail communications dated October 08, 2021, December 14, 2021, January 07, 2022 & March 04, 2022 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the rating. In the absence of minimum information required for the purpose of rating, CARE is unable to express opinion on the rating. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of best available information which however, in CARE's opinion is not sufficient to arrive at fair rating. The rating on AEPL facilities will now be denoted as 'CARE BB; Stable ISSUER NOT COOPERATING*'

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The rating takes into account the non-availability of requisite information due to non-cooperation by AEPL with CARE's efforts to undertake a review of the outstanding ratings as CARE views information availability risk as key factor in its assessment of credit risk profile. The ratings assigned to the bank facilities of Aerospace Engineers Private Limited (AEPL) continues to be tempered by small scale of operations. The rating however, derive its strengths from experienced promoters along with established relationship with reputed clientele, healthy profitability margins and comfortable capital structure and debt coverage indicators and operating in niche segment coupled with healthy demand outlook for precision aerospace component.

Detailed description of the key rating drivers

At the time of last rating on March 22, 2021 the following were the rating strengths and weaknesses (updated with FY21 financials obtained from Registrar of Companies)

Key Rating Weakness

Small scale of operation

Total operating income grew by 41% to Rs. 49.68 Crore in FY21 as against Rs. 35.31 Crore in FY20. Despite the growth in scale of operation is continued to remain small.

Key Rating Strengths

Long track record of operations, experienced promoters along with established relationship with reputed clientele

The company has more than a decade of business operations and is managed by Mr. Ramasamy Sundaram, Managing Director who has experience of nearly one decade in this business. Due to proven experience in project execution, the promoters have good relationships with its customers which includes Hindustan Aeronautics Limited (CARE AAA; Stable /CARE A1+) which directly supplies to army, navy and air force. Apart from that the customer base includes Goodrich Aerospace Service Limited, Brahmos Aerospace Private Limited, Defense Research & Development Laboratory (DRDO), Centum Electronics Limited, Comprotech Engineering Private Limited, Continental Motors, USA among others.

Healthy profitability margins

PBILDT margin has improved from 30.84% in FY20 to 36.03% in FY21. PAT margin stood healthy at 21% in FY21 (PY : 16.96%)

Comfortable capital structure and debt coverage indicators

Capital structure of the company improved and stood comfortable with overall gearing level of 0.69x as on March 31, 2021 vis-à-vis 0.93x as on March 31, 2020. TD/GCA marginally improved to 1.60x in FY21 from 2.21x in FY20, and interest coverage ratio stood at 9.91x in FY21.

Operating in niche segment coupled with healthy demand outlook for precision aerospace components

The set-up is for manufacturing of precision aviation components, which require highly skilled workforce, proven technology and huge capital. There are very few players operating in this domain thus providing a huge scope to AEPL in accelerating its income and profit generation.

Liquidity position: Stretched

The operating cycle continued to remain elongated due to elongated collection period making the operations working capital intensive in nature. Collection period though improved remained high at 124 days in FY21 as against 165 days in FY20 as it primarily deals with Government entities where payment is received with lag. The company procures the raw material from its

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

suppliers and avails a credit period up to 80-120 days hence creditor's period remained at 83 days in FY21 vis-à-vis 119 days in FY20. Further, the inventory levels keep fluctuating on account of nature of projects in hand. Free cash and bank balance remained low at Rs.0.11 crore as on March 31, 2021 (vis-à-vis Rs. 0.75 crore as on March 31, 2020). Current ratio and quick ratio stood at 1.52x and 1.26x as on March 31, 2021 respectively vis-à-vis current ratio of 1.12x and quick ratio of 1.08x as on March 31, 2020.

Analytical approach: Standalone.

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Manufacturing Companies](#)

About the Company

Aerospace Engineers Private Limited (AEPL) was established as Proprietorship firm in the year 2000 by Ramasamy Sundaram, the Managing Director. The company was converted into a private limited company with effect from April 02, 2016 in the present nomenclature, and commenced the commercial operations in the name of AEPL from April 01, 2017. AEPL operates from its 9001: 2015 certified manufacturing facility which is engaged in manufacturing of precision aeronautical components.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	11MFY22
Total operating income	35.20	49.68	NA
PBILDT	10.78	17.90	NA
PAT	5.99	10.43	NA
Overall gearing (times)	0.93	0.69	NA
Interest coverage (times)	7.10	9.91	NA

*A-Audited ; NA – Not Available

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this firm: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	4.00	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	Jan 2024	10.05	CARE BB; Stable; ISSUER NOT COOPERATING*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT	4.00	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (22-Mar-21)	1)CARE BB; Stable (31-Mar-20) 2)CARE BB; Stable (09-Apr-19)	-
2	Fund-based - LT-Term Loan	LT	10.05	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (22-Mar-21)	1)CARE BB; Stable (31-Mar-20)	-

								2)CARE BB-; Stable (09-Apr- 19)	
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* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities : NA

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media Contact

Name: Mradul Mishra
Contact no.: +91-22-6754 3573
Email ID: mradul.mishra@careedge.in

Analyst Contact

Name: Swathi Subramanian
Contact no.: 0422 - 4502399
Email ID: swathi.subramanian@careedge.in

Relationship Contact

Name: Pradeep Kumar V
Contact no.: +91-98407 54521
Email ID: pradeep.kumar@careedge.in

About CARE Ratings Limited:

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