Axiscades Engineering Technologies Limited

November 14, 2017

Ratings

Facilities	**Amount (Rs. crore)**	**Rating[1]**	**Rating Action**
Long Term/ Short Term Bank Facilities	35.0	CARE BBB+/A3+ (Triple B Plus/ A Three Plus)under credit watch with developing implications	Placed on credit watch with developing implications
Long term Bank facilities	1.87	CARE BBB+ (Triple B Plus) under credit watch with developing implications	Placed on credit watch with developing implications
Total Facilities	**36.87 (Rs. Thirty Six crore and Eighty Seven lakh only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale& Key Rating Drivers

The rating of Axiscades Engineering Technologies Limited (ACET)has been placed on credit watch with developing implications post announcement by ACET to acquire Mistral Solutions Private Limited. The acquisition is planned to be executed in a phased manner with total consideration ofRs. 175 crore.The business synergies between ACET and Mistral and overall impact on the company's performance are yet to be ascertained and CARE awaits more clarity from the management. CARE would take appropriate view on the ratings, once the exact implications of the above event are clear.

Detailed description of the key rating drivers

ACET has announced theacquisition of Mistral Solutions Private Limited(engaged in rendering end-to-end services for product design and development in the embedded space, system integration etc.)in a phased manner. In Phase-1,Axiscades would acquire 43.38% of the equity stake in Mistral Solutions with a cash consideration of Rs.70 crore which will be funded out of term debt. The balance share will be acquired through allotment of shares in ACET. The promoter's stake in ACET is expected to come down to 60.45% post-acquisition from current holding of 66.06%.

The business synergies between ACET and Mistral solutions and overall impact on the company's performance are still not ascertainable.CARE would take appropriate view on the ratings, once the exact implications of the above event are clear.

Analytical approach: Consolidated

Applicable Criteria

[Criteria for placing rating under credit watch](#)
[CARE's methodology for service sector companies](#)
[CARE's methodology for Short-term Instruments](#)
[Criteria on assigning Outlook to Credit Ratings](#)
[CARE's policy on Default Recognition](#)
[Financial Ratios-Non Financial Sector](#)

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

About the Company

Axiscades Engineering Technologies Limited (ACET) is engaged in Engineering Design Services (EDS) and has been servicing various verticals – Aerospace, Defense, Heavy engineering, Automobile and Industrial products.During FY17, company completed the acquisition of Axiscades Aerospace & Technologies Pvt. Ltd. (ACAT) by way of Scheme of Amalgamation of India Aviation Training Institute Pvt. Ltd. (IAT, holding company of ACAT) with itself. ACAT is engaged in system integration activities focused on defense sector involving hardware. The acquisition was completed on December 30, 2016 with effective date of April 1, 2016.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	375.4	489.9
PBILDT	56.97	43.98
PAT	28.9	13.6
Overall gearing (times)	0.23	0.37
Interest coverage (times)	31.8	3.7

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT/ ST-CC/Packing Credit	-	-	-	35.00	CARE BBB+ / CARE A3+ (Under Credit watch with Developing Implications)
Non-fund-based - LT-Bank Guarantees	-	-	-	0.95	CARE BBB+ (Under Credit watch with Developing Implications)
Fund-based - LT-Buyers Credit	-	-	-	0.92	CARE BBB+ (Under Credit watch with Developing Implications)

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT/ ST-CC/Packing Credit	LT/ST	35.00	CARE BBB+ / CARE A3+ (Under Credit watch with Developing Implications)	-	1)CARE BBB+; Stable / CARE A3+ (27-Mar-17)	1)CARE BBB+ / CARE A3+ (Under Credit Watch) (22-Feb-16) 2)CARE BBB+ / CARE A3+ (14-Apr-15)	1)CARE BBB- / CARE A3 (29-May-14)
2.	Non-fund-based - LT-Bank Guarantees	LT	0.95	CARE BBB+ (Under Credit watch with Developing Implications)	-	1)CARE BBB+; Stable (27-Mar-17)	1)CARE BBB+ (Under Credit Watch) (22-Feb-16) 2)CARE BBB+ (14-Apr-15)	1)CARE BBB- (29-May-14)
3.	Fund-based - LT-Buyers Credit	LT	0.92	CARE BBB+ (Under Credit watch with Developing Implications)	-	1)CARE BBB+; Stable (27-Mar-17)	1)CARE BBB+ (Under Credit Watch) (22-Feb-16) 2)CARE BBB+ (14-Apr-15)	-

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