

February 14, 2023

Ace Manufacturing Systems Ltd.: Placed on rating watch with developing implications

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-Term Fund-Based Limits	23.75	23.75	[ICRA]AA- Placed on Rating watch with developing implications
Short-Term Fund-Based Limits	10.00	10.00	[ICRA]A1+ Placed on Rating watch with developing implications
Short-Term Non-Fund Based Limits	53.00	53.00	[ICRA]A1+ Placed on Rating watch with developing implications
Total	86.75	86.75	

*Instrument details are provided in Annexure-1

Rationale

The ratings have been placed on watch with developing implications following an announcement of amalgamation scheme of Ace Manufacturing Systems Limited (an associate company of Ace Designers Limited) with Ace Designers Limited (ADL); rated [ICRA]A+/[ICRA]A1 placed on watch with developing implications, subject to the approval from NCLT and other statutory authorities, as may be required, with appointed date being April 01, 2022. The proposed scheme of arrangement would simplify the Group structure and enable realisation of cost efficiencies.

ICRA has taken note of the above event and has placed the outstanding ratings on rating watch with developing implications. ICRA will continue to monitor the development of the merger process as well as the timelines involved and will take the appropriate action as may be required. Further, the ratings of AMSL would be withdrawn post completion of the merger process as the entity would cease to exist.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Rating sensitivities: [Click here](#)

Liquidity position: Strong

The company had healthy free cash and liquid investments of Rs. 74.23 crore as on January 31, 2023. Also, the company currently has no outstanding long-term debt and the utilisation of working capital limits remains low.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the standalone financials of AMSL

About the company

Incorporated in 1994, Ace Manufacturing Systems Limited (AMSL) is positioned as the top player in the CNC machining center segment of the domestic machine tools industry with an estimated market share of around 20% (based on the volume of machining centers) as per the management. The company specializes in the manufacturing of vertical & horizontal machining centers which are primarily supplied to the automobile and auto component sectors for manufacturing various types of components. The company's products consist of standard CNC machining centers as well as customized machines with specific set of tools & fixtures as per the requirements of the customer. In FY2020, 95% by volume of the machining centers sold by the company were vertical machining centers while the rest being horizontal machining centers. Around 50% of the company's sales volume in FY2021 (51% in FY2020) was derived from the automotive sector while the rest of the sales are contributed by general engineering segments.

The company is a part of the Ace Micromatic Group which is the largest machine tools group in India with Ace Designers as the flagship company of the group. The group has presence in other segments of the machine tools industry such as manufacturing of CNC lathes, milling & grinding machines and other key components which are used in the machine tools industry. AMSL has its manufacturing plant located at Peenya Industrial Area in Bangalore.

Key financial indicators (audited)

Standalone	FY2021	FY2022	H1FY2023
Operating income (Rs. crore)	401.27	682.30	373.44
PAT (Rs. crore)	16.40	37.13	21.72
OPBDIT/OI (%)	5.76%	8.08%	7.94%
PAT/OI (%)	4.09%	5.44%	5.82%
Total outside liabilities/Tangible net worth (times)	0.53	0.47	0.59
Total debt/OPBDIT (times)	0.60	0.08	0.00
Interest coverage (times)	9.63	28.86	122.13

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding as on Mar 31, 2022 (Rs. crore)	Date & Rating		Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
					Feb 14, 2023	May 06, 2022			
1	Long-Term Fund-Based Limits	Long term	23.75	-	[ICRA]AA- &	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Negative)	[ICRA]AA-(Stable)
2	Short-Term Fund-Based Limits	Short term	10.00	-	[ICRA]A1+&	[ICRA]A1+	-	-	-
3	Long-Term – Term Loan	Long Term	0.00	-	-	-	[ICRA]AA-(Stable)	[ICRA]AA-(Negative)	[ICRA]AA-(Stable)
4	Short-Term Non-Fund Based Limits	Short Term	53.00	-	[ICRA]A1+&	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
5	Unallocated Limits	Long Term/ Short Term	0.00	-	-	-	[ICRA]AA-(Stable)/ [ICRA]A1+	[ICRA]AA-(Negative)/ [ICRA]A1+	-

&: Rating watch with developing implications

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long-Term Fund-Based Limits	Simple
Short-Term Fund-Based Limits	Simple
Short-Term Non-Fund Based Limits	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: [Click Here](#)

Annexure-I: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Long-Term Fund-Based Limits	NA	NA	NA	23.75	[ICRA]AA- Rating watch with developing implications
NA	Short-Term Fund-Based Limits	NA	NA	NA	10.00	[ICRA]A1+ Rating watch with developing implications
NA	Short-Term Non-Fund Based Limits	NA	NA	NA	53.00	[ICRA]A1+ Rating watch with developing implications

Source: Company

Annexure-II: List of entities considered for consolidated analysis: Not applicable

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