

Ace Designers Limited

| Instruments | Amounts (Rs. crore ¹) | Rating Action |
|--------------------------------------|--------------------------------------|----------------------------------|
| Long term fund based facilities | 20.0 (reduced from 30.0) | [ICRA]AA- (Stable) / re-affirmed |
| Short term fund based facilities | 15.0 (increased from 0.0) | [ICRA]A1+ (re-affirmed) |
| Short term non-fund based facilities | 0.0 (reduced from 5.0) | - |

ICRA has re-affirmed the [ICRA]AA- (pronounced ICRA double A minus)² rating outstanding on the Rs. 20.00 crore (reduced from Rs 30.0 Crore) long-term fund based facilities of Ace Designers Limited (“ADL”/ “the Company”). The outlook on the long-term rating is Stable. ICRA has also re-affirmed the short-term rating outstanding on Rs. 15.00³ crore short term fund based limits of ADL at [ICRA]A1+ (pronounced ICRA A one plus).

The re-affirmation of ratings considers the Company’s continued dominant market position in the domestic CNC lathe industry and conservative financial profile of ADL characterized by low gearing, moderate coverage indicators and adequate liquidity position supported by cash reserves and unutilized credit lines. Revenue growth and earnings of ADL remained under pressure during FY2016, in line with the past few fiscals, owing to the modest demand conditions and increasing competition impacting order inflow and pricing flexibility. However, performance is expected to improve going forward aided primarily by rising demand from auto ancillaries, illustrated by the growth witnessed during the recent quarters - where the volume growth has been at healthy levels of 22% and 35% during Q4 FY2016 and Q1 FY2017 respectively. Operational profile of ADL continues to be supported by the flexibility it enjoys by virtue of being the flagship company of the Ace Micromatic group, lending bargaining power with its vendors and also enabling sourcing of key components, marketing and after sales services from group entities. Revenues and earnings over the medium term are also expected to be supported by the product and industry diversification measures undertaken to reduce dependence on the automobile sector, steady growth in revenue share from the higher margin customized machines division aided by its strong focus on R&D and anticipated stable improvement in utilization levels of its manufacturing and foundry operations over the medium term lending scale economics. The ratings remain constrained by the high concentration on the domestic automobile industry (which continues to contribute to more than 50% of ADL’s revenues) which has impacted operating performance during the recent fiscals, and rising working capital intensity on account of widening product portfolio and increasing revenue share from customized machines (which necessitates higher inventory holding). ICRA also takes note of the proposed expansion plan of ADL during FY2018 and FY2019 upon sustained improvement in demand and capacity utilization levels, with the exact quantum of capital expenditure and mode of funding yet to be crystallized. ICRA would continue to monitor the developments and assess the impact of the same on the Company’s credit profile and take appropriate rating action.

Company Profile

Incorporated in 1979, Ace Designers Limited (“ADL” / “the Company”) was originally started as a partnership firm by three technocrat promoters offering consultancy services and providing technical expertise in the designing of machine tools. Over the years, the company had diversified into manufacturing and is currently positioned as the leading player in the CNC lathe segment of the domestic machine tools industry. The company specialises in manufacturing of machine tools that are primarily used by the automotive and auto components sector for manufacturing various components, where its product range includes both standard CNC lathes and customised machines equipped with tools to meet specific requirements of the OEMs/ancillaries. ADL is the flagship company of the Ace Micromatic group, which is recognised as the largest machine tools group in India. The other major companies in the group include Ace Manufacturing Systems

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA’s website www.icra.in or other ICRA Rating Publications

³ Short term fund based limits of Rs 15.0 Cr (not rated during last exercise); the amount rated is equivalent to the reduction in limits rated in the long term fund based facilities and short term non-fund based facilities



Limited (manufactures machining centres, rated [ICRA]AA-Stable/[ICRA]A1+) and Mircromatic Machine Tools (provides exclusive pre & post sales services for machines sold by companies in the group), while other companies in the group manufacture and supply precision components.

Recent Results

For the fiscal FY2016, the Company has reported net profit of Rs. 15.9 crore on an operating income of Rs. 437.4 crore as against net profit of Rs. 18.4 crore on an operating income of Rs. 434.9 crore achieved during FY2015.

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