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NSIC - D&B - SMERA Rating Report

ACE CARBIDE TOOLS PRIVATE LIMITED

Plot No - 5-5-35/222, Shakthipuram,
Prashant Nagar, Kukatpally,
Hyderabad - 500 072
Andhra Pradesh
India

Date of Report : 08th June, 2012 *

Legal Form : Private Limited Company

NSIC - D&B - SMERA Rating : SE 3B (Moderate Performance Capability and Moderate Financial Strength)				
RATING INDICATORS				
		Financial Strength		
		High	Moderate	Low
Performance Capability	Highest	SE 1A	SE 1B	SE 1C
	High	SE 2A	SE 2B	SE 2C
	Moderate	SE 3A	SE 3B	SE 3C
	Weak	SE 4A	SE 4B	SE 4C
	Poor	SE 5A	SE 5B	SE 5C

* This rating is a one-time exercise and does not envisage automatic surveillance. This rating is valid for a period of one year; subject to however, no significant changes / events occur during that period which could materially affect the business and financial parameters of the organization / project. SMERA recommends that the user of the rating may seek a review of the rating, if the rated entity experiences significant changes / events in the business. Recommended for review in next financial year.



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SNAPSHOT

D&B D-U-N-S® Number	85-862-7233
Entity Name	ACE CARBIDE TOOLS PRIVATE LIMITED
Administrative Office and Factory Address	Plot No - 5-5-35/222, Shakthipuram, Prashant Nagar, Kukatpally, Hyderabad - 500 072 Andhra Pradesh India
Telephone	(91) (40) (40177193) (91) (40) (23070279)
Fax	(91) (40) (23076588)
Email ID	acecarbide tools@gmail.com
Line of Business	Manufacturing of Tungsten Carbide Dies and Fasteners
Chief Executive	Mr. Srinivasa Rao Tellakula Managing Director
NSIC - D&B - SMERA Rating	SE 3B (Moderate Performance Capability and Moderate Financial Strength)
Company Registration Number	U28910AP2007PTC056656
Entrepreneur's Memorandum Number	28/006/12/01164/Part -II
Category of Promoter	General
Incorporation Date	12/Dec/2007
Commencement of Production	January, 2008
Total Employees	35
Imports	Yes
Sales Territory	Domestic



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COMPANY PROFILE

BACKGROUND

Ace Carbide Tools Private Limited (hereafter referred as subject) was incorporated in the year 2007 by Mrs. G.L. Sarada and Mr. V. Veeranjanyulu.

At present, management of the subject is vested in the hands of Mr. Srinivasa Rao Tellakula and Mrs. Sashikala Tellakula.

OPERATIONS

Subject is engaged in manufacturing of tungsten carbide dies and fasteners.

PRODUCTS

- ☐ Carbide dies
- ☐ Fasteners



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FINANCIAL SNAPSHOT

COMPARATIVE FIGURES (₹ IN THOUSANDS)

Statement End Date	31/Mar/2009	31/Mar/2010	31/Mar/2011
Current Assets	1,838	5,676	14,053
Current Liabilities	381	3,924	11,194
Working Capital	1,457	1,752	2,859
Other Tangible Assets	1,516	1,675	2,409
Non-Current Liabilities	3,268	3,272	598
Tangible Net Worth	(295)	155	4,670
Secured Loans	0	0	580
Unsecured Loans	3,222	3,233	0
Cash & Bank	639	2,946	5,683
Accounts Receivable	869	1,372	5,031
Fixed Assets	1,516	1,675	2,409
Accounts Payable	340	3,881	11,012
Inventory	250	1,219	2,685
Income	4,124	12,048	14,311
Net Profit(Loss) After Tax	(280)	448	258



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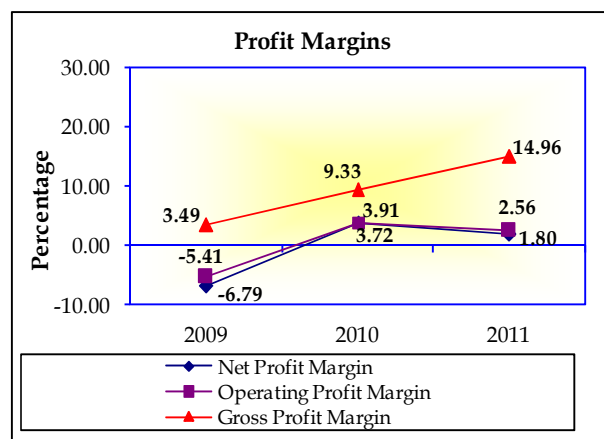
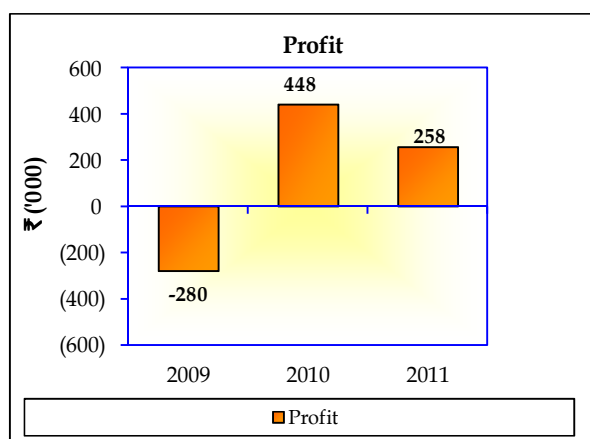
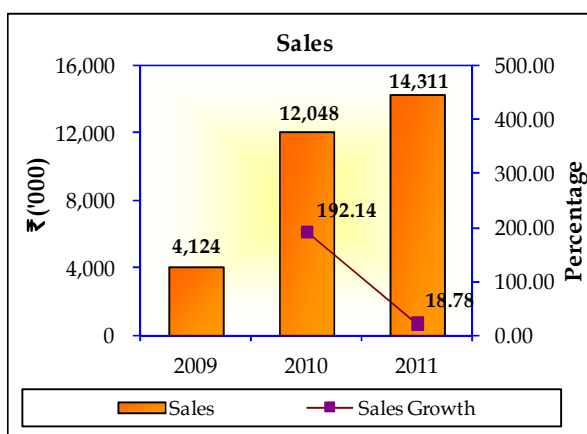
SALIENT FEATURES

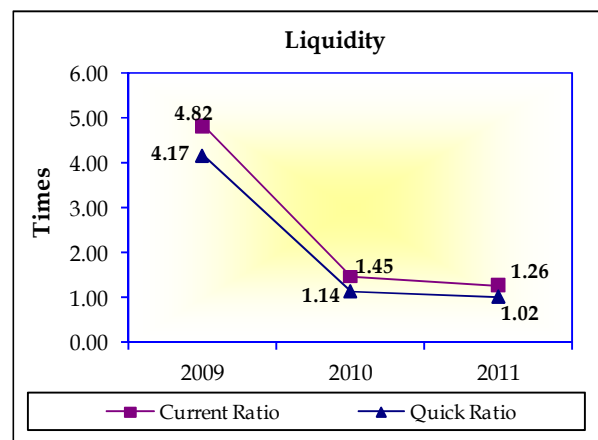
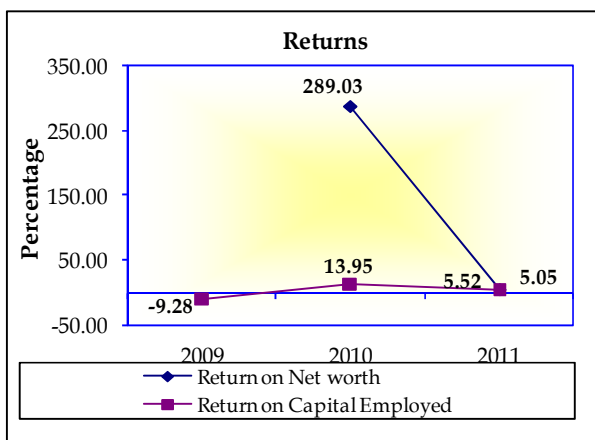
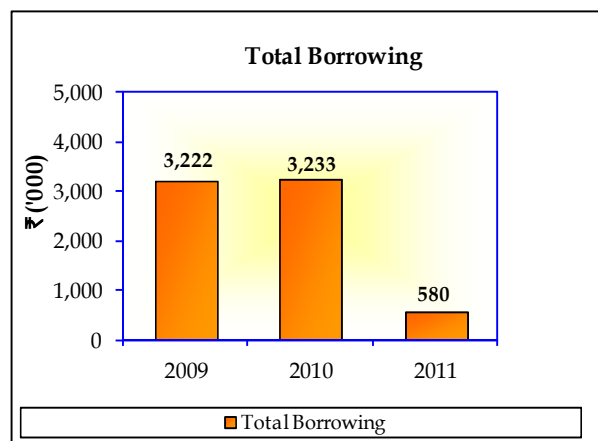
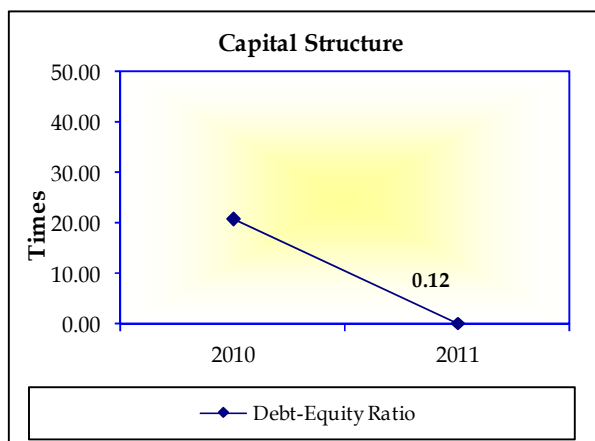
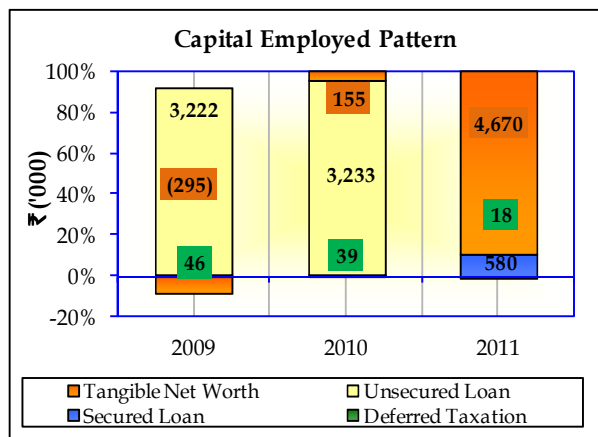
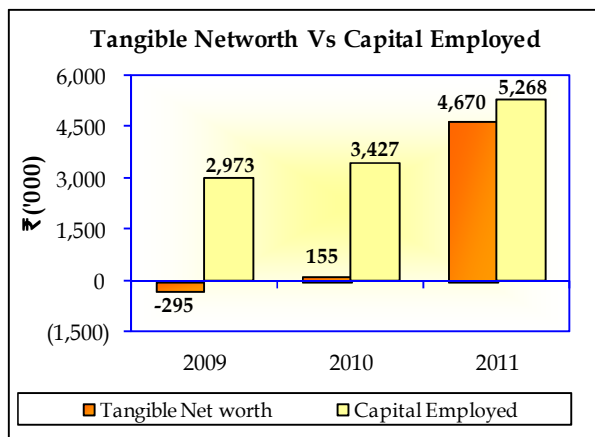
STRENGTHS	RISK FACTORS
<ul style="list-style-type: none"> Experienced management. Revenue has increased during the period under study. Further as informed by management, subject has earned revenue of ₹ 35,000 (in thousands) for FY 2012. Gross profit margin has improved during the period under study. 	<ul style="list-style-type: none"> Subject is relatively a newly established entity with only four years of operations. Net profit margin has declined in FY 2011 over FY 2010. Payable days have increased during the period under study and the same are higher than the industry standards and stands at 320 for FY 2011. Collection days have increased during the period under study and the same are more than the industry standards and stand at 129 for FY 2011.

OTHER INFORMATION

- Current ratio has declined during the period under study and stands at 1.26 as on 31/Mar/2011.
- Subject has been sanctioned a term loan of ₹ 16,500 (in thousands) from Indian Overseas Bank after 31/Mar/2011.
- Tangible net worth has increased as on 31/Mar/2011 over 31/Mar/2010.
- Capital employed has increased during the period under study.
- Subject imports around 40% of its purchases from China. Hence, it is susceptible to foreign exchange fluctuations risk.
- As informed by management, adequate insurance cover for stock, plant and machinery has been taken by banker.
- Group / related entity viz. Aakruti Hard Metals is engaged in providing jobwork activities. Key Financial details of Aakruti Hard Metals are not available with SMERA.
- Details regarding ongoing / future expansion projects are not available with SMERA.
- As informed by management, pollution control norms for air and water are not applicable to the subject.

FINANCIAL TREND







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FISCAL BALANCE SHEET (₹ IN THOUSANDS)

Date	31/Mar/2009	31/Mar/2010	31/Mar/2011
<u>Assets</u>			
<u>Current Assets</u>			
Cash & Bank	639	2,946	5,683
Inventory / Work-in-Progress	250	1,219	2,685
Accounts Receivable	869	1,372	5,031
Advance Recoverable in cash or kind	0	0	509
Other Current Assets	80	139	145
Total Current Assets	1,838	5,676	14,053
<u>Fixed Assets</u>			
Plant & Equipment	1,470	1,633	-
Other Fixed Assets	46	42	2,409 *
Total Fixed Assets	1,516	1,675	2,409
<u>Intangibles</u>			
Preliminary Expenses	20	18	15
Total Intangibles	20	18	15
<u>Total Assets</u>	3,374	7,369	16,477

* Break-up of fixed assets as on 31/Mar/2011 is not available with SMERA.



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<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts Payable	340	3,881	11,012
Other Current Liabilities	41	43	182
Total Current Liabilities	381	3,924	11,194
<u>Non-Current Liabilities</u>			
Secured Loans from Banks	0	0	580
Due to Directors / Shareholders / Relatives / Friends / Group Entities / Related Entities	3,222	3,233	0
Deferred Tax Liability	46	39	18
Total Non-Current Liabilities	3,268	3,272	598
<u>Equity</u>			
Capital	100	100	100
Retained Earnings (Loss)	(375)	73	331
Share Application Money	0	0	4,254
Total Equity	(275)	173	4,685
<u>Total Liabilities</u>	3,374	7,369	16,477



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PROFIT & LOSS ACCOUNT (₹ IN THOUSANDS)

Financial Year	2009	2010	2011
Months Covered By P/L	12	12	12
Income	4,124	12,048	14,311
Cost of Sales	(3,980)	(10,924)	(12,170)
Employee Cost	(1,646)	(629)	(632)
Rent / Repairs and Maintenance	(86)	(360)	(379)
Electricity Charges	(28)	(30)	(58)
Job Work Charges	(163)	0	0
Other Direct Expenses	0	(1,843)	(1,404)
Raw Material Consumption Cost	(2,057)	(8,062)	(9,697)
Gross Profit (Loss)	144	1,124	2,141
Depreciation/ Amortization	(83)	(84)	(344)
General Operating Expenses	(284)	(569)	(1,431)
Net Operating Profit (Loss) After Depreciation and Before Interest	(223)	471	366
Finance Expenses	(4)	(30)	(8)
Net Profit Before Taxation & After Extraordinary Items	(227)	441	358
Income Tax	(53)	7	(100)
Current Tax	(7)	-	(121)
Deferred Tax (Liability) / Reversal	(46)	7	21
Net Profit(Loss) After Tax	(280)	448	258
Plus (Minus) Retained Earnings (Loss) B/F	(95)	(375)	73
Retained Earnings (Loss) C/F	(375)	73	331

The above financials are taken from audited accounts of the subject.



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FINANCIAL RATIOS

Financial Year	2009	2010	2011
<u>Growth Ratios</u>			
Sales Growth (%)	-	192.14	18.78
Net Profit Growth (%)	-	-	(42.41)
<u>Turnover Ratios</u>			
Collection Period (Days)	77	42	129
Account Payable Days	58	131	320
Inventory Holding Period (Days)	23	37	69
Sales to Net Working Capital (Times)	2.83	6.88	5.01
Assets to Sales (%)	81.33	61.01	115.03
Fixed Assets Turnover Ratio	2.72	7.19	5.94
<u>Profitability Ratios</u>			
Gross Profit Margin (%)	3.49	9.33	14.96
Operating Profit Margin (%)	(5.41)	3.91	2.56
Net Profit Margin (%)	(6.79)	3.72	1.80
Return on Assets (%)	(8.35)	6.09	1.57
Return on Net Worth (Return on Equity) (%)	-	289.03	5.52
Return on Capital Employed (%)	(9.28)	13.95	5.05
<u>Liquidity Ratios</u>			
Quick Ratio	4.17	1.14	1.02
Current Ratio	4.82	1.45	1.26
<u>Gearing & Solvency Ratios</u>			
Fixed Assets to Tangible Net Worth (%)	-	1,080.65	51.58
Current Liabilities to Tangible Net Worth (%)	-	2,531.61	239.70
Total Liabilities to Tangible Net Worth (%)	-	4,642.58	252.51
Debt Equity Ratio	-	20.86	0.12



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AUDITOR

Annadevara Associates, (Chartered Accountants)

4th Floor,
Kiran Arcade,
100 S.D. Road,
Secunderabad – 500 003
Andhra Pradesh
India



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BANK

Information in this report may not represent the full extent of subject's bank relationships.

Name of the Bank	Indian Overseas Bank
Branch	R.P. Road, Secunderabad
Dealing Since	2011

CREDIT FACILITIES

As informed by management, subject enjoys the following credit facilities from the bank as on 08/Jun/2012,

(₹ in Lakhs)	
Facilities Availed	Amount Sanctioned
Cash Credit	50.00
Term Loan	165.00
Letter of Credit	190.00
Total	405.00

☐ No independent confirmation was obtainable from the banker.



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INSURANCE

As informed by management, adequate insurance cover for stock, plant and machinery has been taken by the banker.



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CAPITAL DETAILS

Authorized Capital	₹ 100,000 as on 31/Mar/2011 10,000 Equity shares of ₹ 10.00 each
Issued Capital	₹ 100,000 as on 31/Mar/2011
Paid-Up Capital	₹ 100,000 as on 31/Mar/2011 10,000 Equity shares of ₹ 10.00 each

SHAREHOLDER(S)

EQUITY SHARES

Name of Shareholders	Relation With The Promoter	Shares Held	% Held
Srinivasa Rao Tellakula	Self	9,000	90.00
Sashikala Tellakula	Wife	1,000	10.00
Total		10,000	100.00

Shareholdings as on	04/Jan/2012
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**DIRECTORS' DETAILS**

Name	Srinivasa Rao Tellakula
Year of Birth	1968
Current Designation	Managing Director, Head Finance & Marketing
Appointed to Present Position	2008
Started with Subject	2008
Educational Qualification	Graduate
Experience in Similar Industry Since	1987
Active in Daily Operations	Yes
Founder of Subject	No
Residential Address	Plot No. 763, Vasanthnagar Colony, Kukatpally, Hyderabad - 500 072 Andhra Pradesh India
Permanent Account Number	AANPT6165C
Mobile Number	(91) (9849018177)
Email ID	Details are not available with SMERA
Net Worth	₹ 396.50 (in lakhs) as on 04/Jan/2012

OTHER DIRECTORSHIPS / PARTNERSHIPS / PROPRIETORSHIPS/HUF

Entity Employed	Position Held
Aakruti Hard Metals	Proprietor

MANAGEMENT / EMPLOYMENT HISTORY

Period	Entity Employed	Last Position Held
1987 to 2004	WIDIA (India) Limited	Details are not available with SMERA



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Name	Sashikala Tellakula
Year of Birth	1971
Current Designation	Director
Appointed to Present Position	2008
Started with Subject	2008
Educational Qualification	Graduate
Active in Daily Operations	No
Founder of Subject	No
Residential Address	Plot No. 763, Vasanthnagar Colony, Kukatpally, Hyderabad - 500 072 Andhra Pradesh India
Permanent Account Number	Details are not available with SMERA
Net Worth	Details are not available with SMERA



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DEPARTMENTAL HEADS

Executive Name	Position Held	Educational Qualification	Year of Joining	Years of Experience
Sri Lakshmi	Head Administration	Graduate	Details are not available with SMERA	
K. Ravi Kumar	Head Works	Details are not available with SMERA		



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PURCHASES

Particulars	FY 2009	FY 2010	FY 2011	FY 2012
	(%)	(%)	(%)	(%)
Domestic	60	60	60	60
Imports	40	40	40	40

PURCHASING TERMS

Domestic	Open account 30 to 45 days
Imports	Advance Telegraphic Transfer

SUPPLIERS

Suppliers Name and Location	Materials Purchased	Length of Relationship (Years)	% Share in Purchases
Girdharilal Agrawal & Company, Mumbai	Details are not available with SMERA	Details are not available with SMERA	Details are not available with SMERA
Maharshi Alloy & Steels, Hyderabad			
CB Ceratizit, People's Republic of China			40



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SALES

Particulars	FY 2009	FY 2010	FY 2011	FY 2012
	(%)	(%)	(%)	(%)
Domestic	100	100	100	100

SELLING TERMS

Domestic	Open account 30 to 45 days
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CUSTOMERS

Subject maintains around 30 to 35 customers.

MAJOR CUSTOMERS

Customer Name and Location	Length of Relationship (Years)
Rane Group, Chennai	04
TIDC India, Chennai	04
Tube Products of India, Chennai	04
India Government Mint, Hyderabad	04
Eaton Industrial Systems Private Limited, Ahmednagar	04



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LIST OF ORDERS IN HAND AS ON 28/FEB/2012

(₹ in thousands)

Name of the Customer	Product Description	Quantity	Order Value
Durovalves India Private Limited	Details are not available with SMERA	Details are not available with SMERA	18.00
Rane Engine Valve Limited			536.00
India Government Mint			76.00
Eaton Industrial Systems Private Limited			211.00
Varroc Engineering Private Limited			156.00
Vijai Electricals Limited			1,065.00
Automotive Valves Private Limited			20.00
Mangal Electricals Industries Private Limited			149.00
Pran Electronics Private Limited			500.00
Tube Investment of India Limited			306.00
TIDC			61.00
Total			3,098.00

Above orders will be executed till

Details are not available with SMERA



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EMPLOYEE(s) DETAILS

Particulars	FY 2012	FY 2011
Total Employees	35	Details are not available with SMERA
Permanent Employees	35	
Production Workers	Details are not available with SMERA	

GROUP / RELATED ENTITIES

Entity Name & Location	Line of Business	Key Financials for FY 2011 (₹ in thousands)			
		Net Sales	Net Profit	Total Debt	Total Networth
Aakruti Hard Metals	Engaged in Jobwork activities	Details are not available with SMERA			



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CIBIL DEFAULTERS LIST

As observed from the CIBIL Defaulters list that is publicly available, the subject is not enlisted as a defaulter.

AWARDS / REGISTRATIONS / MEMBERSHIPS / CERTIFICATES

Certificates	Membership/Registration/Consent No.
VAT	28504103310V
CST	28504103310C
PAN	AAGCA6809G

As informed by management, pollution control norms for air and water are not applicable to the subject.



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SITE VISIT (CONDUCTED ON 28/FEB/2012)

Address	Plot No - 5-5-35/222, Shakthipuram, Prashant Nagar, Kukatpally, Hyderabad – 500 072 Andhra Pradesh India
Size of Premise	Land - 2,700 Sq. ft. Building – 5,000 Sq. ft.
Site Details Type	Industrial Area
Site Location	Side Lane
Location Used As	Administrative Office and Factory
Kind of Buildings	RCC Construction
Is unit using any Asbestos Roof	No
On Floor	Ground Floor
Total Floors in Building	Ground Floor plus First Floor
Type of Occupation	Rental
Owner’s Name	Details are not available with SMERA
Does Group Companies share the Office	
Is the office furnished	Yes
Any Fire Extinguishers	Yes
No. of people working at this location	35
Any child labour involved	No
Do Directors sit at the site location	Yes
Were Directors present at the time of interview	Yes
Are there any competitors around	No
Are there any nameplates outside the premises	Yes
Major Raw Material	Carbide and Steel
Power Load Available	Details are not available with SMERA
No. of shifts that the unit is operating	
<u>Site equipped with following facilities</u>	
Telephone	Yes
Fax	Yes
Internet	Yes
Printer	Yes
Modem	Yes
Power Back up	Yes
UPS	Yes
Security Guards	Yes
Signage, Name Plates	Yes
Name of the Executive contacted	Mr. Srinivasa Rao Tellakula, Managing Director



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ONGOING / FUTURE EXPANSION PROJECTS

- Details regarding ongoing / future expansion projects are not available with SMERA.



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**GLOSSARY OF KEY RATIOS AND THEIR COMPUTATION**

Ratios	Description
Growth Ratios	% change in variable in the current year over the previous (base) year
Sales Growth	% change in sales in the current year over the previous year
Net Profit Growth	% change in net profit in the current year over the previous year
Turnover Ratios	
Collection Period (Days)	<p>Collection Days is calculated by dividing the days in a year by the debtors' turnover. The collection period represents the number of days' worth of credit sales that is blocked with the debtors (accounts receivable). It is computed as follows:</p> $\text{Collection Period} = \frac{(\text{Accounts receivable} + \text{Bills Receivable}) \times 365}{\text{Credit Sales}}$
Account Payable (Days)	<p>Account Payable Days is a measure of the average time a company takes to pay vendors</p> $\text{Account Payable Days} = \frac{(\text{Accounts payable} + \text{Bills Payable}) \times 365}{\text{Credit Purchases}}$
Sales to Inventory (Times)	<p>Sales to Inventory is a measure of number of times inventory is converted into sales</p> $\text{Sales to Inventory (Times)} = \frac{\text{Sales}}{\text{Inventory}}$
Assets to Sales	Total Assets / Sales
Sales to Net Working Capital	<p>Sales / Net Working Capital</p> <p>Wherein Net Working Capital = Current Assets – Current Liabilities</p>
Fixed Assets Turnover Ratio	Fixed Assets / Sales
Profitability Ratios	
Gross Profit/ Loss Margin	<p>Measure of profit or loss earned / incurred after charging all direct expenses from sales</p> $\text{Gross Profit / Loss (\%)} = \frac{\text{Gross Profit / Loss}}{\text{Sales}} \times 100$
Operating Profit Margin	<p>Measure of profit or loss earned / incurred after charging all direct expenses plus indirect expenses from sales and other operating income pertaining to core business activities</p> $\text{Operating Profit / Loss (\%)} = \frac{\text{Operating Profit / Loss}}{\text{Sales}} \times 100$



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Net Profit Margin	<p>Measure of net profit or loss earned / incurred after considering all incomes and expenses including taxes</p> <p>$\text{Net Profit / Loss (\%)} = \frac{\text{Net Profit / Loss} \times 100}{\text{Sales}}$</p>
Return on Assets	$\text{Net Profit (Loss) after Tax / Total Assets} \times 100$
Return on Net Worth	$\text{Net Profit (Loss) after Tax / Tangible Networth} \times 100$
Return on Capital Employed	$\text{EBIT / Capital Employed} \times 100$
Liquidity Ratios	
Current Ratio	<p>This ratio measures the short term liquidity of the enterprise and its ability to meet short-term debt obligation usually during the next 12 months</p> <p>Current Ratio = Current Assets / Current Liabilities</p>
Quick Ratio	<p>Quick Ratio (QR) is the ratio between quick current assets (QA) and CL. QA refers to those current assets that can be converted into cash immediately without significant value dilution. QA includes cash and bank balances, short-term marketable securities and sundry debtors. Inventory and prepaid expenses are excluded since these cannot be turned into cash as and when required</p> <p>Quick Ratio = Quick Assets / Current Liabilities</p>
Gearing and Solvency Ratios	
Fixed Asset to Tangible Networth	$\text{Fixed Assets / Tangible Networth}$
Current Liability to Tangible Networth	$\text{Current Liability / Tangible Networth}$
Total Liabilities to Tangible Networth	$\text{Total Liabilities / Tangible Networth}$
Total Borrowings to Tangible Networth	$(\text{All short term and long Term Secured and Unsecured Loan}) / \text{Tangible Networth}$
Debt Equity Ratio	<p>This ratio shows the relative proportion of debt and equity in financing the assets of a firm. Debt includes long-term borrowings and equity includes net worth (paid-up equity capital and reserves and surplus) and preference capital.</p> <p>Debt - Equity Ratio = Long Term Debt / Tangible Networth</p>
Interest Coverage Ratio	<p>This ratio is used to determine how easily a company can pay interest on outstanding debt. The interest coverage ratio is calculated by dividing a company's earnings before interest and taxes (EBIT) of one period by the company's interest expenses of the same period</p> <p>$\text{Earnings before interest and taxes / Interest Expenses}$</p>



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Tangible Networth	Shareholders Fund (Equity Capital plus Preference Capital plus Reserves Less Intangibles Less Deferred Tax Asset)
Capital Employed	Tangible Networth plus Secured Loans plus Unsecured loans plus Deferred Sales Tax Loan plus Deferred Tax Liability

For the purpose of deriving rating, combination of above mentioned ratios would be used and calculations of these ratios may change based on nature of entities and at the discretion of SMERA Analyst.



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CURRENCY: All amounts in this report are in local currency unless otherwise stated.

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