

September 12, 2013

Instrument	Amount (Rs. Crores)	Ratings
Cash Credit	8.00	SMERA BB- / Stable / Assigned
Term Loan I	1.50	SMERA BB- / Stable / Assigned
Term Loan II	1.50	SMERA BB- / Stable / Assigned
Letter of Credit	4.40	SMERA A4+ / Assigned
Bank Guarantee	10.00	SMERA A4+ / Assigned

SMERA has assigned ratings of '**SMERA BB-/Stable**' (read as **SMERA Double B minus**) and '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.25.40 crores fund based and non-fund based bank facilities of Alcob Systems Private Limited (ASPL). The outlook is '**Stable**'. The ratings are constrained by the company's moderate scale of operations, working capital intensive nature of operations and susceptibility to cyclical in the real estate sector. The ratings factor in ASPL's average financial profile marked by moderate leverage and stretched liquidity. The ratings are also constrained by the utilization of the company's borrowed funds towards creation of non-revenue generating assets. However, the ratings derive support from the company's experienced management and reputed clientele.

ASPL is a specialized exterior facade contractor. The company undertakes designing, engineering, manufacturing and installation of all types of facade systems including glass exteriors, aluminium glazing systems, curtain walling, canopies, aluminium composite cladding and skylights. ASPL has a moderate scale of operations with total revenues declining from Rs.40.42 crores in FY2011-12 (refers to financial year, April 01 to March 31) to Rs.34.75 crores (provisional) in FY2012-13 on account of reduction in orders received. Although the company has pending orders worth Rs.70.82 crores as on July 10, 2013, there are concerns over order execution in view of the current slowdown in the real estate sector. ASPL's net profit margin improved from 2.94 per cent in FY2009-10 to 5.62 per cent in FY2011-12 on account of reduction in job work expenses through installation of new machinery. However, the company's profitability is susceptible to volatility in raw material (aluminum and glass) prices in the absence of price escalation clause in the contract agreements.

ASPL's operations are working-capital-intensive as payments from clients are received only after completion and certification of work while the company has limited bargaining power with its suppliers. Further, the company holds raw material inventory of about two months, which has led to a stretched working capital cycle of around 120 days for FY2012-13. Though ASPL has a stretched receivables period, the debtors' quality is satisfactory as the company mainly caters to reputed clients. ASPL average working capital utilization stood at ~82 per cent during December 2012 to June 2013.

SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead

In FY2010–11, ASPL availed term loans worth ~Rs.4.70 crores for funding non-revenue generating assets including office premises and factory land and building. Furthermore, the company has also borrowed funds for purchasing machinery and meeting working capital requirements, which has resulted in moderate leverage with total debt-to-tangible net worth and total liabilities-to-tangible net worth at 0.92 times and 2.45 times respectively as on March 31, 2013.

ASPL is promoted by Mr. R. Badrinarayan, who has over ten years of experience in the company's line of business.

Outlook: Stable

SMERA believes the outlook on ASPL's rated facilities will remain stable over the medium term. The company's ability to expand its scale of operations without compromising on profitability, liquidity and debt protection metrics will be a key rating sensitivity. The outlook may be revised to 'Negative' if there is a sharp deterioration in the company's liquidity profile and receivables quality. The outlook may be revised to 'Positive' if the company demonstrates resilient performance marked by above-average debt protection metrics and improved liquidity position.

About the company

ASPL, established in 2003 as a proprietorship firm, was reconstituted as a private limited company in 2004. ASPL is an exterior facade contractor and undertakes projects involving designing, engineering, manufacturing and installation of all types of facade systems like aluminium glazing, aluminium composite cladding, glass exteriors, canopies and skylights. The company caters to reputed clients across India. ASPL has a factory in Pisoli, Pune (Maharashtra). ASPL is promoted and managed by Mr. R Badrinarayan, who has over ten years of experience in the company's line of business.

In FY2011–12, ASPL reported net profit of Rs.2.27 crores on total income of Rs.40.42 crores as compared with net profit of Rs.1.89 crores on total income of Rs.37.48 crores for FY2010–11. Further, ASPL registered revenues of Rs.34.75 crores in FY2012–13 (provisional).

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