

April 02, 2015

| Facilities | Amount (Rs. Crore) | Ratings |
|------------------|-----------------------|----------------------------|
| Term Loan | 0.87 | SMERA B-/Stable (Assigned) |
| Cash Credit | 3.00 | SMERA B-/Stable (Assigned) |
| Letter of Credit | 3.00 | SMERA A4 (Assigned) |

SMERA has assigned a long-term rating of **'SMERA B-' (read as SMERA single B minus)** and a short-term rating of **'SMERA A4' (read as SMERA A four)** to the Rs.6.87 crore bank facilities of Awate Engineering Private Limited (AEPL). The outlook is **'Stable'**. The ratings are constrained by the company's small-scale operations, weak financial risk profile and stretched liquidity position. However, the ratings are supported by the company's experienced management.

AEPL, incorporated in 2008, is a Pune-based company engaged in manufacturing of press sheet metal components used in automobiles. AEPL has small-scale operations with revenue of Rs.12.11 crore in FY2013-14 (Rs.17.55 crore in the previous financial year). The company's weak financial risk profile is reflected in low net worth of Rs.1.83 crore and high gearing (debt-equity ratio) of 3.05 times as on March 31, 2014. AEPL's debt service coverage ratio (DSCR) is moderate at 1.49 times in FY2013-14. The company's stretched liquidity position is evidenced by high utilisation (~96 per cent) of cash credit limit during August 2014 to December 2014.

AEPL benefits from its experienced management Mr. Eknath Awate and Mrs. Shobha Awate, directors of AEPL, have around two decades of experience in auto components industry.

Rating sensitivity factors

- Ability to scale up operations while achieving improvement in profit margins
- Capital structure

Outlook: Stable

SMERA believes AEPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers strong growth in scale of operations while achieving efficient working capital management. The outlook may be revised to 'Negative' in case of deterioration in the company's financial or business risk profile.

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About the company

AEPL, incorporated in 2008, is a Pune-based company promoted by Mrs. Shobha Awate. AEPL is engaged in manufacturing of press sheet metal components used in automobiles. The company has a manufacturing unit in Shirur District (Pune), with installed capacity of 45,000 metric tonnes per annum (MTPA).

For FY2013–14, AEPL reported net profit of Rs.0.11 crore on operating income of Rs.12.11 crore, as compared with net profit of Rs.0.12 crore on operating income of Rs.17.55 crore in FY2012–13. The company's net worth stood at Rs.1.83 crore as on March 31, 2014, as compared with Rs.1.72 crore a year earlier.

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