

Press Release

10 October, 2017

A A Energy Limited (AAEL)

Rating Reaffirmed



Total Bank Facilities Rated *	Rs. 11.70 Cr
Long Term Rating	SMERA C (Reaffirmed)

Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA C' (read as SMERA C)** on the Rs. 11.70 crore bank facility of A A Energy Limited (AAEL).

Incorporated in November 2005, AAEL is engaged in the development of renewable energy. The Nagpur-based company set up a 10 MW biomass-based plant in Gadchiroli, Maharashtra, at an approximate cost of Rs.50 crore. The plant commenced operations in April 2010.

Key Rating Drivers

Strengths

Experienced Management

Mr. Shivkumar Agarwal, the director of the firm, possesses more than three decades of experience in steel related industry and has more than five years of experience in power generation. Mr. Latesh Agarwal, the director also possesses experience of over two decades in construction of power generation. The firm renders its services to reputed clients like Brihanmumbai Electric Supply and Transport (BEST).

Weaknesses

Delays in debt servicing

Delays were observed in the last three months with regard to repayment of debt due to a stretched liquidity position.

Working capital intensive in nature of operation

AAEL's operations remained working capital intensive, as reflected in its Gross current assets (GCA) days of around 134 as on March 31, 2016. The working capital cycle stood high at 92 days in March 31, 2016. AAEL maintains high inventory and stood at 94 days for FY2015-16. Current ratio of the firm remains low at 0.93 times in FY2016-15. Further, cash credit utilisation stood at around 95% for the past three months.

Weak financial risk profile

AAEL's financial risk profile continues to remain weak marked by networth stood at Rs.11.02 crore as on March 31, 2016 as compared to Rs.10.91 crore as on March 31, 2015. Gearing (debt-equity) of 2.67 times as on March 31, 2016 as compared to 2.82 times as on March 31, 2015. Interest Coverage Ratio

stood at 1.80 times in FY2016-15 as compared to 1.74 times in FY2014-15. DSCR stood at 0.81 times in FY2016-15 as compared to 0.82 times in FY2014-15. NCA/TD stood at 0.11 times for FY2015-16.

Analytical approach

SMERA has considered the standalone business and financial risk profiles of AAEL to arrive at the rating.

About the rated entity - Key financials

The company reported Profit after Tax (PAT) of Rs. 0.11 crore on operating income of Rs. 42.96 crore in FY2015-16 compared to PAT of Rs. 0.07 crore on operating income of Rs. 32.51 crore in the previous year. The net worth stood at Rs. 11.02 crore as on 31 March, 2016 as against Rs. 10.91 crore in the previous year.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating history (last three years)

Date	Name of Instrument/Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
18-Apr-2016	Cash Credit	Long Term	9.00^	SMERA C (Assigned)
	Term Loan	Long Term	2.68	SMERA C (Assigned)
	Proposed Facility	Long Term	0.02	SMERA C (Assigned)

^CCBD and LG of Rs.5.00 crore and Rs.0.15 crore respectively – sub limit with CC

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.00^	SMERA C (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	2.68	SMERA C (Reaffirmed)
Proposed Facility	Not Applicable	Not Applicable	Not Applicable	0.02	SMERA C (Reaffirmed)

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head –Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in Kashish Shah Rating Analyst Tel: 022-67141111 Email: kashish.shah@smera.in	Varsha Bist, Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in

ABOUT SMERA

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