

Press Release

Aplab Limited

August 19, 2019

Rating Upgraded



Total Bank Facilities Rated*	Rs. 55.00 Cr.
Long Term Rating	ACUITE B- / Outlook: Stable (Upgraded from ACUITE D)
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has upgraded long-term rating to '**ACUITE B-**' (read as **ACUITE B minus**) from **ACUITE D** and short-term rating to '**ACUITE A4**' (read as **ACUITE A four**) from **ACUITE D** on the Rs. 32.00 crore bank facilities of APLAB LIMITED. The outlook is '**Stable**'.

Acuite has withdrawn the long-term rating of '**ACUITE B-**' (read as **ACUITE B minus**) on the Rs. 23.00 crore bank facilities of APLAB LIMITED.

The rating upgrade is based on regularisation of bank facilities. The company has monetized land parcel and paid off their loans. Further, the rating is supported by the experience management and reputed clientele.

AL was incorporated in 1962 by Mr. P.S Deodhar and is engaged in manufacturing of Test & Measurement instruments. Originally, the company was called as Applied Electronics Limited, which later on went on to be called as Applied Electronics Lab, before the name was finally changed to Aplab Limited. The primary business activity involves manufacturing of electrical/electronic equipment and devices. In 2000, Zee Entertainment Enterprises Limited acquired 26 per cent stake in the company. The company has reputed clientele such as Hindustan Aeronautics Limited, Bharat Electronics Limited, L&T Limited to name a few.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the AP to arrive at this rating.

Key Rating Drivers

Strengths

- **Long track record of operations and experienced management**

AL commenced operations from 1962. The company is promoted by its directors, Mr. P S Deodhar, Mr. Nishith Deodhar, Mr. A. G. Joshi, Mr. Jayant Deo and Mr. S. K. Hajela, who have experience of more than four decades in electrical industry. The extensive experience has enabled the company forge healthy relationships with customers and suppliers. Acuite believes that the group will continue to benefit from its experienced management and established relationships with customers.

Weaknesses

- **Average scale of operations and profitability**

The company reported decline in revenue by ~11.63 per cent with operating income of Rs.54.02 crore in FY2019 as against operating income of Rs.61.12 crore in FY2018. The operating margins of the company stood at negative 3.11 per cent in FY2019 as against negative 6.40 per cent in FY2018. However, Profit After Tax (PAT) has increased to Rs.5.90 crore in FY2019 from net loss of Rs.15.88 crore in FY2018. This is majorly because of the exceptional income of Rs.18.18 crore from monetisation of land parcel. Acuite believes that the company's scale of operations will be key rating sensitivity as the manufacturing base will be shifted to Navi Mumbai from Thane. Further, the company has order in hand of around Rs.31.00 crore which is executable within 3 to 4 months.

• **Weak financial risk profile**

The financial risk profile is weak marked by weak net worth and debt protection measures and high gearing. The net worth of the company is weak at negative Rs.26.67 crore as on 31 March, 2019 as against negative Rs.32.57 crore as on 31 March, 2018. The gearing of the company stood high at negative 2.54 times as on March 31, 2019 as against negative 2.16 times as on March 31, 2018. Total debt of Rs.67.74 crore consists of working capital facility of Rs.40.20 crore and unsecured loans of Rs.27.54 crore as on 31 March, 2019. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at negative 4.61 times as on 31 March, 2019 as against negative 4.41 times as on 31 March, 2018. Interest Coverage Ratio (ICR) improved to 2.05 times in FY2019 from negative 0.33 times in FY2018. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.11 times as on 31 March, 2019 as against negative 0.21 times as on 31 March, 2018. Debt Service Coverage Ratio (DSCR) improved to 1.88 times in FY2019 from negative 0.11 times in FY2018. Acuite believes that the financial risk profile of company will gradually improve. This is majorly due to orders in hand, reputed clientele and reduction in finance cost significantly by paying off its debt and reducing it to Rs.32.00 crore.

• **Intensive working capital operations**

The company has intensive working capital operations marked by high Gross Current Assets (GCA) of 341 days in FY2019 as against 522 days in FY2018. The inventory and debtor levels stood at 177 and 178 days in FY2019 as against 103 and 80 days in FY2018 respectively. As a result, the bank limits are fully utilised in the last six months ending July 2019. Acuite believes that the working capital operations will remain intensive due to the nature of the business.

Liquidity Position

AL has adequate liquidity position marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.7.19 crore during 2019 as against negative Rs.14.43 crore in FY2018. This is majorly due to exceptional income of Rs.18.18 crore received by monetizing land parcel which was utilised to repay its debts. The company's working capital operations are intensive as marked by high gross current asset (GCA) days of 503 in FY2019. Further, the reliance on working capital borrowings is high, the cash credit limit in the company remains fully utilised during the last 6 months' period ended July, 2019. The company maintains unencumbered cash and bank balances of Rs.3.58 crore as on March 31, 2019. The current ratio of the company stands at 0.60 times as on March 31, 2019. Acuite believes that the liquidity will remain adequate in near to medium term.

Outlook: Stable

Acuite believes that AL will maintain a 'Stable' outlook over the medium term on account of established track record and support of experienced management. The outlook may be revised to 'Positive' in case of significant improvement in business risk profile while maintaining its profitability. Conversely, the outlook may be revised to 'Negative' in case of decline in scale of operations or financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	54.02	61.12	72.60
EBITDA	Rs. Cr.	-1.68	-3.91	-2.08
PAT	Rs. Cr.	5.90	-15.88	-13.54
EBITDA Margin	(%)	-3.11	-6.40	-2.87
PAT Margin	(%)	10.93	-25.97	-18.65
ROCE	(%)	38.69	-9.45	-3.28
Total Debt/Tangible Net Worth	Times	-2.54	-2.16	-4.85
PBDIT/Interest	Times	2.05	-0.33	-0.07
Total Debt/PBDIT	Times	4.10	-19.46	-113.29
Gross Current Assets (Days)	Days	565	522	308

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

None.

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
22-May-2018	Term Loan	Long Term	2.00	ACUITE D (Reaffirmed)
	Term Loan	Long Term	6.00	ACUITE D (Reaffirmed)
	Term Loan	Long Term	4.00	ACUITE D (Reaffirmed)
	Cash Credit	Long Term	26.00	ACUITE D (Reaffirmed)
	Bills Discounting	Short Term	11.00	ACUITE D (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE D (Reaffirmed)
	Bank Guarantee	Short Term	22.00	ACUITE D (Reaffirmed)
31-Oct-2017	Term Loan	Long Term	2.00	ACUITE D (Indicative)
	Term Loan	Long Term	6.00	ACUITE D (Indicative)
	Term Loan	Long Term	4.00	ACUITE D (Indicative)
	Cash Credit	Long Term	26.00	ACUITE D (Indicative)
	Bills Discounting	Short Term	11.00	ACUITE D (Indicative)
	Letter of Credit	Short Term	10.00	ACUITE D (Indicative)
	Bank Guarantee	Short Term	22.00	ACUITE D (Indicative)
24-Aug-2016	Term Loan	Long Term	2.00	ACUITE D (Assigned)
	Term Loan	Long Term	6.00	ACUITE D (Assigned)
	Term Loan	Long Term	4.00	ACUITE D (Assigned)
	Cash Credit	Long Term	26.00	ACUITE D (Assigned)
	Bills Discounting	Short Term	11.00	ACUITE D (Assigned)
	Letter of Credit	Short Term	10.00	ACUITE D (Assigned)
	Bank Guarantee	Short Term	22.00	ACUITE D (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE B- / Stable (withdrawn)
Term loans	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE B- / Stable (withdrawn)
Term loans	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE B- / Stable (withdrawn)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	14.00 (Reduced from Rs.26.00 crore)	ACUITE B- / Stable (Upgraded from ACUITE D)
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE A4 (Withdrawn)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	4.00 (Reduced from Rs.10.00 crore)	ACUITE A4 (Upgraded from ACUITE D)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	14.00 (Reduced from Rs.22.00 crore)	ACUITE A4 (Upgraded from ACUITE D)

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About Acuite Ratings & Research:

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