

Press Release

Aplab Limited

November 04, 2020

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 32.00 Cr.
Long Term Rating	ACUITE B- / Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE B-**' (read as **ACUITE B minus**) and the short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.32.00 crore bank facilities of Aplab Limited (AL). The outlook is '**Stable**'.

Aplab Limited (AL) was incorporated in 1962 by Mr. P.S Deodhar and is engaged as a manufacturer for Test & Measurement instruments. Originally, the company was called Applied Electronics Limited which later on went on to be called Applied Electronics Lab before the name was finally changed to Aplab Limited. The primary business activity involves the manufacturing of electrical/electronic equipment and devices. 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 financial and business risk profile of AL to arrive at the rating.

Key Rating Drivers

Strengths

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

AL commenced operations from 1962. The company is promoted by its Chairman and Managing Directors, Mr. P S Deodhar along with other directors, Mrs. Amrita P. Deodhar, Dr. S. K. Hajela and Mr. Dinesh Kotecha who possess experience of more than four decades in electrical machinery industry. The extensive experience has enabled the company to 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

- **Modest scale of operations and profitability**

The company reported a marginal decline in operating revenue by ~3.07 percent with an operating income of Rs.51.66 crore in FY2020 as against operating income of Rs.53.30 crore in FY2019. The operating margins of the company improved to 9.17 percent in FY2020 as against negative 4.50 percent in FY2019. However, Profit After Tax (PAT) has declined to 0.40 per cent in FY2020 from 10.16 per cent in FY2019.

Acuite believes that the scale of operations will improve in the medium term backed by an order book of Rs.42.81 crore, which is expected to be executed by FY2022.

- **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.26.41 crore as on 31 March, 2020 as against negative Rs.26.67 crore as on 31 March, 2019. The gearing of the company stood high at negative 2.70 times as on March 31, 2020 as against negative 2.63 times as on March 31, 2019. Total debt of Rs.71.36 crore consists of the working capital facility of Rs.42.49 crore and unsecured loans of Rs.28.87 crore as on 31 March, 2020. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at negative 4.54 times as on 31 March, 2020 as against negative 4.87 times as on 31 March, 2019. Interest

Coverage Ratio (ICR) deteriorated to 1.18 times in FY2020 from negative 1.99 times in FY2019. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.02 times as on 31 March, 2020 as against 0.10 times as on 31 March, 2019. Debt Service Coverage Ratio (DSCR) deteriorated to 1.08 times in FY2020 from 1.82 times in FY2019.

• **Intensive working capital operations**

The company has intensive working capital operations marked by high Gross Current Assets (GCA) of 468 days in FY2020 as against 505 days in FY2019. The inventory and debtor levels stood at 125 and 134 days in FY2020 as against 85 and 132 days in FY2019, respectively.

Acuite believes that working capital operations will remain intensive in the near medium term due to the nature of the business.

Liquidity Position: Stretched

AL has stretched liquidity marked by modest net cash accruals. The company generated cash accruals of Rs.1.23 crore for FY2020 as against Rs.6.70 crore in FY2019. This is majorly due to the exceptional income of Rs.3.14 crore in FY2020 as against Rs.18.18 crore in FY2019 which is majorly because of the sale of land. The company's working capital operations are intensive as marked by high gross current asset (GCA) days of 468 in FY2020. The company maintains unencumbered cash and bank balances of Rs.3.55 crore as on March 31, 2020. The current ratio of the company stands at 0.78 times as on March 31, 2020.

Outlook: Stable

Acuite believes that AP 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 a significant improvement in business risk profile while maintaining its profitability. Conversely, the outlook may be revised to 'Negative' in case of a decline in the scale of operations or financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Crore	51.66	53.30
Profit after tax (PAT)	Rs. Crore	0.21	5.41
PAT margin	%	0.40	10.16
Total debt / Tangible Net worth	Times	(2.70)	(2.63)
PBDIT / Interest	Times	1.18	1.99

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-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
19-Aug-2019	Term Loan	Long Term	2.00	ACUITE B- (Upgraded from ACUITE D & Withdrawn)
	Term Loan	Long Term	6.00	ACUITE B- (Upgraded from

				ACUITE D & Withdrawn)
	Term Loan	Long Term	4.00	ACUITE B- (Upgraded from ACUITE D & Withdrawn)
	Cash Credit	Long Term	14.00	ACUITE B-/Stable (Upgraded from ACUITE D)
	Bills Discounting	Short Term	11.00	ACUITE A4 (Upgraded from ACUITE D & Withdrawn)
	Letter of Credit	Short Term	4.00	ACUITE A4 (Upgraded from ACUITE D)
	Bank guarantee	Short Term	14.00	ACUITE A4 (Upgraded from ACUITE D)
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)

***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	14.00	ACUITE B-/Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4 (Reaffirmed)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE A4 (Reaffirmed)

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About Acuité Ratings & Research:

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