

Press Release

Autometers Alliance Limited (AAL)

March 03, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.230.00 Cr
Long Term Rating	SMERA BBB-/Stable (Assigned)
Short Term Rating	SMERA A3 (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) and short term rating of '**SMERA A3**' (read as **SMERA A three**) on the Rs.230 cr bank facility of Autometers Alliance Limited (AAL). The outlook is '**Stable**'.

AAL, established in 1959 is engaged in the manufacture of engineering products such as tachograph, relays, vacuum circuit breakers, auxillary converters among others. The company began trading in escalators in FY2013. The company largely caters to the Indian Railways and Metro Railways. The manufacturing facilities are located at Noida (Uttar Pradesh) and Nalagarh (Himachal Pradesh).

List of key rating drivers and their detailed description

Strengths:

Long track of operations and reputed clientele: AAL has long track record of over 50 years in the engineering industry. The promoters, Mr. Keshav Kr. Thirani, Mr. Harsh Vardhan Kejriwal, Mr. Gopal Rajgarhia, Mr. Samrat Banerjee and Mr. Himanshu Gupta have more than two decades of experience in the engineering industry. The company derives support from its reputed customers including the Indian Railways (IR), Metro Railways, Bharat Heavy Electricals Limited, Bharat Earth Movers Limited to name a few.

Comfortable order book: The order book continues to remain healthy at ~Rs. 239 cr as on 31 Dec, 2016, which renders revenue visibility for the next two years. While the revenue growth continues to be supported by a significant share (62 per cent) from IR and Metro Railways, over the last four years there has been a significant change in the sales mix. The contribution of the escalator business has increased to 38 percent in FY2016-17 from 10 per cent in FY2013-14.

Prudent capital structure and revival of projects from Metro Railways: The net worth of the company stood healthy at Rs.100.99 cr in FY2016 as compared to Rs.105.70 cr in FY2015. The gearing ratio stood comfortable at 0.59 times in FY2016 as compared to 0.41 times in FY2015. SMERA notes the improvement in the financial risk profile in the past one year. The company suffered losses in FY2015 and FY2016 on account of delays in Metro projects for installation of escalators. SMERA believes that the financial and business risk profiles of the company would improve in the near term owing to the Metro projects that are expected to be complete soon.

Weaknesses:

Consistent weakness in operating profitability margins and stretched working capital cycle:

The operating margin improved but stood low at 3.95 percent in FY2016 as compared to 1.42 percent in FY2015. From FY2013 to FY2016, the composition of sales structure was mainly dependent on low margin products such as switchgears and converters, AAL's profitability witnessed steep decline from net profit of Rs.5.04 cr in FY2014 to net loss of Rs.1.11 cr in FY2016. The company has stretched working capital cycle marked by high GCA days of 290 in FY2016 and 384 in FY2015. This is on account of high receivables of Rs.98.24 cr in FY2016 as compared to Rs.99.93 cr in FY2015 as the company mainly deals with government organisations such as Indian Railways and Metro Railways.

Tender driven business: With 90 per cent of the operating income being generated from Indian Railways, AAL is exposed to risks associated with the tender based nature of business. The changing government regulations shall continue to remain a key credit monitorable. However, the said risk is partially mitigated due to long standing relationship with Indian Railways.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the company.

Applicable Criteria:

- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smerra.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smerra.in/criteria-default.htm>

Outlook: Stable

SMERA believes that the company will maintain a stable outlook owing to the management's extensive experience and established relationships with customers. The outlook may be revised to 'Positive' in case of sustained increase in revenues and accruals while improving profitability. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues and accruals or in case of elongation of working capital cycle.

About the Rated Entity

AAL is engaged in the manufacturing of engineering products such as tachograph, relays, vacuum circuit breakers, auxillary converters, inverters, converters, passenger information systems among others.

It also started trading in escalators since FY2013. The manufacturing facility is located at Noida (Uttar Pradesh) and Nalagarh (Himachal Pradesh).

The promoters, Mr. Keshav Kr. Thirani, Mr. Harsh Vardhan Kejriwal, Mr. Gopal Rajgarhia and others have more than two decades of experience in the engineering industry.

For FY2016, the company reported net loss of Rs.1.11 cr on operating income of Rs.193.23 cr, as compared with net loss of Rs.2.30 cr on operating income of Rs.170.87 cr in FY2015. The net worth stood at Rs.100.99 cr as on March 31, 2016 against Rs.105.70 cr a year earlier.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	40.00	SMERA BBB-/Stable (Assigned)	-	-	-	-	-	-
Overdraft**	LT	40.00	SMERA BBB-/Stable (Assigned)	-	-	-	-	-	-
Letter of Credit	ST	15.00	SMERA A3 (Assigned)	-	-	-	-	-	-
Bank Guarantee##	ST	135.00	SMERA A3 (Assigned)	-	-	-	-	-	-

**Sublimit under Overdraft against Book debts Rs.3.00 crore

##Sublimit under Bank Guarantee for Bid Bond Rs.5.00 crore

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	N.A	N.A	N.A	40.00	SMERA BBB-/Stable (Assigned)
Overdraft**	N.A	N.A	N.A	40.00	SMERA BBB-/Stable (Assigned)
Letter of Credit	N.A	N.A	N.A	15.00	SMERA A3 (Assigned)
Bank Guarantee##	N.A	N.A	N.A	135.00	SMERA A3 (Assigned)

**Sublimit under Overdraft against Book debts Rs.3.00 crore

##Sublimit under Bank Guarantee for Bid Bond Rs.5.00 crore

Note on complexity levels of the rated instrument:

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

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ABOUT SMERA

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