

Press Release

Autometers Alliance Limited

September 05, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 230.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Negative (Rating Reaffirmed, Outlook revised from stable to Negative)
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and short term rating to '**ACUITE A3**' (**read as ACUITE A three**) to the Rs.230.00 crore bank facilities of Autometers Alliance Limited (AAL). The outlook has been revised from '**Stable**' to '**Negative**'.

The outlook revision reflects Acuite's expectation of pressure on the working capital management as reflected in the increase in Gross Current Asset (GCA) days of 351 in FY2018 (Provisional) against 288 days in FY2017, change in the revenue mix with elongated payment terms for release of last milestone payment of 10-20 percent of contract value linked to defect liability / warranty period against release of payment on completion of the project earlier, impacting the liquidity of AAL.

The rating continues to reflect extensive industry experience of the promoters, long track record of operations, and comfortable financial risk profile. However, these strengths are partially offset by working capital intensive operations.

Incorporated in 1995, AAL is engaged in manufacture of Switchgear, Data Acquisition, Power Electronics, Audio & Display Systems, Escalators and UPS Systems for Metro and Railway networks and for industrial applications. AAL has manufacturing units located in Baddi (Himachal Pradesh) and Noida (Uttar Pradesh). The company was started in 1959 as Autometers Limited and later converted to AAL in 1995.

Analytical Approach

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

Key Rating Drivers:

Strengths

• **Experienced management and established track record of operations**

AAL has been engaged in the manufacturing of Switchgear, Data Acquisition, Power Electronics, Audio & Display Systems, Escalators and UPS Systems for Metro and Railway networks and for industrial applications for more than five decades. Having started its business through manufacture of dashboard instruments and later in 1988 diversified product portfolio towards manufacturing of tachometer equipment for Indian Railways. The promoters, Mr. Keshav Kr. Thirani and family have more than three decades of experience in the engineering industry. AAL bids tenders majorly of Indian Railways and Delhi Metro Rail Corporation (DMRC). The company benefits from established relationship with Indian Railways and DMRC, however revenues remain concentrated to Indian Railways and DMRC.

As on 30 July 2018, the company has executable order book position of Rs.160.00 crore providing revenue visibility over next three quarters. The company also procures escalators from Canny Elevator Co Ltd, China and installs same for Metro and Railway Stations in India. The company when required enters into technical collaboration with foreign players to explore new technologies

such as End of Train Telemetry System and Propulsion system among others. Acuité believes that the established relationship with customers and suppliers is expected to improve the business risk profile over the medium term.

- **Comfortable financial risk profile**

The financial risk profile is marked by healthy gearing, net worth levels and comfortable debt protection metrics. The net worth stood at Rs.117.13 crore as on March 31, 2018 (Provisional) as against Rs.104.45 crore as on March 31, 2017 aided by accretion of profits to internal accruals. Gearing and total outside liabilities to total net worth are healthy at 0.55 times and 0.99 times (Provisional) as on March 31, 2018 as compared to 0.73 and 1.13 times respectively as on March 31, 2017. AAL's debt protection metrics of interest coverage ratio (ICR) and net cash accruals to total debt (NCA/TD) are comfortable at 2.98 times and 0.23 times for FY2018 (Provisional) as against 1.92 times and 0.10 times respectively for FY2017. Acuité believes that the financial risk profile is expected to be at similar levels as the firm is not envisaging any major debt-funded capex over the medium term.

Weaknesses

- **Intense working capital requirements**

AAL's operations are working capital intensive as evident from Gross Current Assets (GCA) days of 351 in FY2018 (Provisional) as against 288 days in FY2017. Inventory days are high at about 113 (Provisional) as on March 31, 2018 due to diversified product portfolio and requirement of numerous electrical and electronics components to assemble the final product. AAL procures the components in bulk to minimize the costs. Debtor and creditor days are intense at 178 and 122 (Provisional) in FY2018 as compared to 156 days and 69 days respectively in FY2017; high attributed to 43 percent of revenues generated in the last quarter of 2017-18. The company is dealing with government entities such as Indian Railways and DMRC wherein payments are linked to project completion from client side; and the last milestone payment will be released on completion of the principal's work rather AAL's scope of work, thus impacting the receivables and liquidity. As a result, the working capital limits are highly utilised to the extent of 85 to 90 percent ending 31 March, 2018 (Provisional). Acuité believes that the operations continue to be working capital intensive further fueled by expected growth in revenues in the range of Rs.250.00-300.00 crore over the medium term, though partly mitigated by moderate cash accruals ranging Rs.12.00-16.00 crore and marginal unutilised bank lines.

Outlook: Negative

Acuité believes that AAL's operations continues to be working capital intensive marked by high GCA, constraining the liquidity. The ratings may be downgraded in case of further stretch in its working capital management leading to pressure on its liquidity. The outlook may be revised to 'Stable' in case of higher-than-expected improvement in revenues while improving its working capital management and sustaining the operating margins.

About the Rated Entity - Key Financials

	Unit	FY18 (Prov.)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	211.98	248.03	193.23
EBITDA	Rs. Cr.	21.45	14.58	7.57
PAT	Rs. Cr.	9.97	2.69	-1.11
EBITDA Margin	(%)	10.12	5.88	3.92
PAT Margin	(%)	4.70	1.08	-0.57
ROCE	(%)	9.71	6.26	2.74
Total Debt/Tangible Net Worth	Times	0.55	0.73	0.59
PBDIT/Interest	Times	2.98	1.92	1.55
Total Debt/PBDIT	Times	2.92	4.95	7.22
Gross Current Assets (Days)	Days	351	288	309

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.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. Crore)	Ratings/Outlook
30-Apr-2018	Cash Credit	Long Term	40.00	ACUITE BBB- (Indicative)
	Secured Overdraft	Long Term	40.00	ACUITE BBB- (Indicative)
	Letter of Credit	Short Term	15.00	ACUITE A3 (Indicative)
	Bank Guarantee	Short Term	135.00	ACUITE A3 (Indicative)
03-Mar-2017	Cash Credit	Long Term	40.00	ACUITE BBB-/Stable (Assigned)
	Secured Overdraft*	Long Term	40.00	ACUITE BBB-/Stable (Assigned)
	Letter of Credit	Short Term	15.00	ACUITE A3 (Assigned)
	Bank Guarantee#	Short Term	135.00	ACUITE 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	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE BBB-/Negative (Reaffirmed, Outlook revised to Negative)
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE BBB-/Negative (Reaffirmed, Outlook revised to Negative)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A3 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	135.00	ACUITE A3 (Reaffirmed)

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About Acuité Ratings & Research:

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