

Press Release

Autometers Energitec Limited (AEL)

24 August, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs.10.00 Cr
Long Term Rating	SMERA BB-/Stable (Assigned)
Short Term Rating	SMERA A4+ (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as SMERA double B minus) and short-term rating of '**SMERA A4+**' (read as SMERA A four plus) on the Rs.10.00 crore bank facilities of Autometers Energitec Limited (AEL). The outlook is '**Stable**'.

Autometers Energitec Limited (AEL) was incorporated in 2005. The company is a joint venture between Autometers Alliance Limited (SMERA BBB-/Stable) and RMG Group of Companies (Germany). The said joint venture was entered into for technical collaboration which was dissolved in 2016-17 and all shares were purchased by the Autometers group. The company is engaged in the manufacturing of gas pressure control and metering stations. The products are used by gas transmission and distribution companies. The promoters, Mr. Keshav Kr. Thirani, Mr. Ashok Kr. Agarwal, Mr. Anirmesh Jain and others have more than two decades of experience in the engineering industry.

List of key rating drivers and their detailed description:

Strengths:

Experienced management and long track record of operations: AEL was incorporated in 2005. The company has long track record of operations of 12 years in the engineering industry. The promoter, Mr. Keshav Kr. Thirani is associated as a Director of the company (also associated as Director with Autometers Alliance Limited which was incorporated in 1957) since its incorporation and hence has a long experience of more than five decades in the engineering industry. The other directors, Mr. Ashok Kr. Agarwal, Mr. Anirmesh Jain, Mr. Detlef Winfried Bauer and Mr. Lajpat Rai Gupta also have extensive experience of over a decade in the same line of business.

Reputed clientele: AEL derives support from its reputed customers such as Bharat Heavy Electricals Limited (BHEL), GAIL (India) Limited, National Thermal Power Corporation (NTPC), Indraprashta Gas Limited, Gujarat Gas, Oil and Natural Gas Limited (ONGC) to name a few.

Moderate financial risk profile: The financial risk profile of the company is marked by modest networth, comfortable gearing levels and healthy debt protection measures. The networth levels of the company stood at Rs. 8.17 crore as on 31 March, 2017 as against Rs.7.88 crore as on 31 March, 2016. AEL has comfortable gearing (debt-to-equity) at 0.55 times as on 31 March, 2017 against 0.45 times as on 31 March, 2016. The total debt includes working capital facility of Rs.4.44 crore. The interest coverage ratio stood modest at 2.56 times in FY2016-17 against 4.05 times in FY2015-

16. The Net Cash Accrual to Total Debt (NCA/TD) stands at 0.14 times in FY2017 as compared to 0.27 times in FY2016.

Weaknesses:

Decline in scale of operations and deterioration in profitability margins: The scale of operations of the company has continuously declined for the past three years. The operating income stood at Rs.22.31 crore in FY2017 compared to Rs.23.41 crore in FY2016. The dip in operating income has been mainly on account of lack of orders from its customers. The operating margins stood at 5.46 percent in FY2017 compared to 6.17 percent in FY2016. The profitability (PAT) margins of the company stood at 1.29 percent in FY2017 compared to 2.26 percent in FY2016.

Tender driven business: The nature of operations are tender based. The company largely deals with government organisations. Going forward, the ability of the company to bid for large orders and qualify for the same remains to be seen. However, the promoter's experience and relationship with clientele, partially mitigates this risk.

Intense competition: AEL operates in a highly fragmented industry with limited entry barriers wherein the presence of large number of players in the unorganised sector limits the bargaining power with customers.

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

Applicable Criteria

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

Outlook: Stable

SMERA believes that the company will maintain a stable outlook over the medium term on the back of the management's extensive experience and established relationships with customers. The outlook may be revised to 'Positive' if the company achieves higher than projected growth in revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile due to debt-funded capital expenditure.

About the Rated Entity – Key Financials

For FY2017, the company reported profit after tax (PAT) of Rs.0.29 crore on operating income of Rs.22.31 crore, as compared to Rs.0.52 crore on operating income of Rs.23.10 crore in FY2016. The net worth stood at Rs.8.17 crore as on 31 March, 2017 (Provisional) against Rs.7.88 crore 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	FY2018			FY 2017		FY 2016		FY 2015	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit*	LT	4.50	SMERA BB-/Stable (Assigned)	-	-	-	-	-	-
Bank Guarantee#	ST	5.00	SMERA A4+ (Assigned)	-	-	-	-	-	-
Proposed Long Term	LT	0.50	SMERA BB-/Stable (Assigned)	-	-	-	-	-	-

***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	4.50	SMERA BB-/Stable (Assigned)
Bank Guarantee#	N.A	N.A	N.A	5.00	SMERA A4+ (Assigned)
Proposed Long Term	N.A	N.A	N.A	0.50	SMERA BB-/Stable (Assigned)

*Buyers Credit of Rs.2.50 cr. is a sublimit of Cash Credit

#ILC/FLC of Rs.1.00 cr. is a sublimit of Bank Guarantee

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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