

October 21, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	8.00 (enhanced from Rs.6.25 crore)	SMERA BB-/Stable (upgraded from SMERA B+/Stable)
Bank Guarantee	12.00	SMERA A4 (Reaffirmed)
Inland Letter of Credit	8.00	SMERA A4 (Reaffirmed)

SMERA has upgraded the rating on the Rs.8.00 crore long-term bank facility (enhanced from Rs.6.25 crore) of Allied Engineering Works Private Limited (AEWPL) to '**SMERA BB-**' (read as **SMERA double B minus**) from '**SMERA B+**' (read as SMERA single B plus). SMERA has also reaffirmed the rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs.20.00 crore short-term bank facilities of AEWPL. The outlook is '**Stable**'. The upgrade is in view of the strong revenue growth registered by the company. The upgrade also reflects improvement in the company's capital structure. The ratings remain constrained by the tender-based nature of the company's business. The ratings are also constrained by the company's modest scale of operations, low profitability and working capital-intensive operations in a highly competitive and fragmented segment of the electrical equipment industry. The ratings factor in risks related to the company's high dependence on the power sector. The ratings also note that the company's profit margins remain susceptible to volatility in raw material prices and fluctuations in foreign exchange rates. However, the ratings are supported by the company's experienced management and healthy order book position.

Update

AEWPL registered higher-than-expected growth in revenues, which increased from Rs.20.72 crore in FY2012-13 (refers to financial year, April 01 to March 31) to Rs.91.63 crore in FY2013-14 on the back of large contract executed for A2Z Maintenance & Engineering Services Limited. AEWPL's operating profit margin declined from 5.74 per cent in FY2012-13 to 3.10 per cent in FY2013-14 on account of increase in operating expenses. The company reported net profit margin of 0.77 per cent in FY2013-14, as compared with net profit margin of 1.21 per cent in the previous year. AEWPL registered revenue of Rs.28.00 crore (provisional) during April 2014 to September 2014.

AEWPL's gearing (debt-equity ratio) reduced from 1.80 times as on March 31, 2013 to 1.01 times as on March 31, 2014 on account of lower reliance on external borrowings. The company's net worth increased from Rs.4.79 crore as on March 31, 2013 to Rs.5.49 crore as on March 31, 2014. AEWPL's interest coverage ratio (ICR) improved from 1.59 times in FY2012-13 to 1.84 times in FY2013-14.

AEWPL plans to set up a factory unit for manufacturing compact fluorescent (CFL) bulbs. The project cost is estimated at ~Rs.2.00 crore, which is likely to be funded through promoter's funds.

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AEWPL continues to benefit from its experienced management. Mr. R. P. Goel, founder of AEWPL, is an electrical engineer with around four decades of experience in the electrical equipment industry. Mr. Ashutosh Goel, managing director of AEWPL, has around 10 years of experience in the electrical equipment industry. AEWPL has a strong order book position reflected in pending orders of Rs.50.00 crore.

AEWPL remains exposed to risks associated with the tender-based nature of its business. The company's earnings are highly dependent on the growth prospects of the power sector. AEWPL operates in a highly competitive and fragmented segment of the electrical equipment industry.

Outlook: Stable

SMERA believes AEWPL will continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the company registers sustained improvement in profitability while maintaining healthy revenue growth and achieving efficient working capital management. The outlook may be revised to 'Negative' in case of decline in the company's revenues and profitability, or in case of deterioration in the company's capital structure and working capital management.

About the company

AEWPL was established in 1985 as a proprietorship concern named Allied Engineering Works (Allied), which was engaged in manufacturing of ceiling fans and lighting fittings till 2009. From 2009 onwards, Allied manufactured electronic energy meters and cables. In 2009-10, the promoters of Allied established AEW Infratech Private Limited (AEW) and Allied's business was transferred to AEW in 2010-11. In FY2011-12, AEW set up a 1,000 kilowatt solar power unit in Bikaner, Rajasthan. AEWPL was incorporated on June 07, 2011 to take over AEW's electrical meters and cables manufacturing business (with effect from April 01, 2012), while the solar power unit remained with AEW.

AEWPL is engaged in manufacturing of electronic energy meters, electric cables and conductors. The company also undertakes engineering, procurement and construction (EPC) contracts. AEWPL caters to public sector undertakings, state electricity boards and turnkey contractors. The company is based in New Delhi. The overall operations of AEWPL are currently managed by Mr. R. P. Goel and Mr. Ashutosh Goel (son of Mr. R. P. Goel).

For FY2013-14, AEWPL reported profit after tax (PAT) of Rs.0.71 crore on operating income of Rs.91.63 crore, as compared with PAT of Rs.0.25 crore on operating income of Rs.20.73 crore in FY2012-13. The company's net worth stood at Rs.5.49 crore as on March 31, 2014, as compared with Rs.4.79 crore a year earlier.

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