

Allied Engineering Works Private Limited (AEWPL)

Allied Engineering Works Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	8.00	SMERA B+/ Stable (Suspension Revoked, Rating Assigned)
Bank Guarantee	12.00	SMERA A4 (Suspension Revoked, Rating Assigned)
Inland Letter of Credit	3.00	SMERA A4 (Suspension Revoked, Rating Assigned)

SMERA has assigned long term rating of '**SMERA B+**' (**read as SMERA B plus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs.23.00 crore bank facilities of Allied Engineering Works Private Limited (AEWPL). The outlook is '**Stable**'.

The ratings are constrained by the company's uneven revenue trend owing to the tender based nature of business and modest scale of operations. The ratings are also weakened by the working capital-intensive business in a highly competitive and fragmented segment of the electrical equipment industry. Further, the ratings also factor in risks related to the high dependence on the power sector, susceptibility of profit margins to volatility in raw material prices and fluctuations in forex exchange rates. However, the ratings draw support from the experienced management, moderate financial risk profile and order book position.

AEWPL was established in June 2011 to take over the cable manufacturing business of AEW Infratech Private Limited (holding company) with effect from April 2012. AEWPL has modest scale of operations with net sales of Rs.24.69 crore in FY2015-16 (Provisional) as against Rs.32.03 crore in FY2014-15 (refers to financial year, April 01 to March 31). The company's business is highly dependent on the power transmission and distribution (T&D) sector as well as further investments in power generation capacities. Further, the company's tender based nature of business limits pricing flexibility and leads to revenue uncertainties. The raw material costs account for around 76 per cent of the total operating income, and imports are about 20 per cent of the raw material purchases exposing the company to forex fluctuation risk. However, the risk is partially mitigated by the exchange earners foreign currency (EEFC) account. The company's profitability is also vulnerable to raw material price volatility.

AEWPL's operations are working capital intensive on account of high receivables period (of about six months) resulting from stretched collections from state electricity boards (SEBs). The same is reflected in the company's high average utilisation of working capital limit (at approximately 97 per cent) in the last six months ending June 2016.

AEWPL has moderate order book position of ~Rs.35 crore, likely to be executed over 12 months. Mr. R. P. Goel, Founder, is an Electrical Engineer with more than four decades of experience in the electrical equipment industry while Mr. Ashutosh Goel, Managing Director, has over 10 years of experience in the company.

Rating Sensitivity Factors

- Improvement in scale of operations while maintaining profitability
- Efficient working capital management
- Debt funded capital expenditure

Outlook: Stable

SMERA believes that the company will maintain a stable outlook owing to its experienced management. The outlook may be revised to 'Positive' if the company is able to register sustained improvement in revenues while maintaining profitability and achieving better working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in profitability or deterioration in the revenue profile and capital structure. Any further stretch in the working capital cycle may also entail a 'Negative' outlook.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

The New Delhi-based AEWPL incorporated in 2011, is engaged in the manufacture of electronic energy meters, electric cables and conductors. It also undertakes EPC contracts and caters to public sector undertakings, electricity boards and turnkey contractors. The company is managed by Mr. R. P. Goel and his son, Mr. Ashutosh Goel.

For FY2015-16 (provisional), AEWPL reported net profit after tax (PAT) of Rs.0.47 crore on operating income of Rs.24.69 crore as against PAT of Rs.0.41 crore on operating income of Rs.32.03 crore. The tangible net worth stood at Rs.6.22 crore in FY2015-16 as against Rs.5.91 crore in the previous year.

Rating History:

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating /Outlook
			Long Term	Short Term	
22 January, 2016	Cash Credit	8.00	SMERA BB- (Suspended)	-	Stable
	Bank Guarantee	12.00	-	SMERA A4 (Suspended)	-
	Inland Letter of Credit	8.00	-	SMERA A4 (Suspended)	-
21 October, 2014	Cash Credit	8.00	SMERA BB- (Upgraded from SMERA B+)	-	Stable
	Bank Guarantee	12.00	-	SMERA A4 (Reaffirmed)	-
	Inland Letter of Credit	8.00	-	SMERA A4 (Reaffirmed)	-
02 September, 2013	Cash Credit	6.25	SMERA B+ (Assigned)	-	Stable
	Bank Guarantee (Sub Limit: Inland Letter of Credit)	20.00 (8.00)	-	SMERA A4 (Assigned)	-

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ABOUT SMERA

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