

Press Release

Allied Engineering Works Private Limited

March 02, 2017

Rating Reaffirmed

| | |
|---------------------------------|-----------------|
| Total Instruments Rated* | Rs. 23.00 Cr |
| Long Term Rating | SMERA B+/Stable |
| Short Term | SMERA A4 |

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the 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 New Delhi-based AEWPL incorporated in 2011, is engaged in the manufacture of electronic energy meters, electric cables and conductors and supplies the same to State Electricity Boards (SEBs). It also undertakes EPC contracts and caters to public sector undertakings, electricity boards and turnkey contractors. The company is led by Mr. R. P. Goel and his son, Mr. Ashutosh Goel.

Key Rating Drivers

Strengths

- Experienced management:**

AEWPL is headed by Mr. R. P. Goel, the promoter and his son, Mr. Ashutosh Goel (Managing Director) who possess extensive experience in the electrical equipment industry.

- Moderate financial risk profile:**

The financial risk profile continues to be moderate with tangible net worth of Rs.6.22 cr and gearing (debt-to-equity ratio) of 1.44 times as on 31 March, 2016 compared to tangible net worth of Rs.5.91 cr and gearing of 1.24 times as on 31 March, 2015. The interest coverage ratio (ICR) stood at 1.70 times and DSCR (Debt service coverage ratio) at 1.58 times in FY2015-16.

Weaknesses

- Moderate scale of operations**

The operating income declined to Rs.24.41 cr in FY2015-16 from Rs.32.03 cr in FY2014-15. The company achieved ~Rs.27.00 cr from April 2016 to December 2016.

- Susceptibility of profit margins**

The operating margins are susceptible to fluctuations in raw material prices and forex rates. The operating margin improved to 7.96 per cent in FY2016 from 3.49 per cent in FY2015 due to decline in raw material prices. However, the foreign currency fluctuation risk is hedged and mitigated to a certain extent through exchange earners foreign currency (EEFC) account.

• Tender-based nature of business:

The operations are tender based and likely to impact revenues.

Analytical Approach

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

Outlook: Stable

SMERA believes that AEWPL will continue to maintain a stable outlook in the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the company reports higher than expected revenue growth and profitability while improving the capital structure. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the envisaged revenue growth and profitability or registers deterioration in the financial risk profile on account of higher than expected working capital requirement.

About the Rated Entity - Key Financials

In FY2015-16, AEWPL reported profit after tax (PAT) of Rs.0.32 cr on operating income of Rs.24.41 cr as against profit after tax (PAT) of Rs.0.41 cr on operating income of Rs.32.03 cr in the previous year. The net worth stood at Rs.6.22 cr as on 31 March, 2016 against Rs.5.91 cr a year earlier.

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

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Crore) | Ratings/Outlook |
|-------------|---------------------------------|------------|--------------------|--------------------------------|
| 09-Aug-2016 | Cash Credit | Long Term | INR 8 CR | SMERA B+ / Stable (Assigned) |
| | Bank Guarantee | Short Term | INR 12 CR | SMERA A4 (Assigned) |
| | Inland Letter of Credit | Short Term | INR 3 CR | SMERA A4 (Assigned) |
| 22-Jan-2016 | Cash Credit | Long Term | INR 8 CR | SMERA BB- / Stable (Suspended) |
| | Bank Guarantee | Short Term | INR 12 CR | SMERA A4 (Suspended) |
| | Inland Letter of Credit | Short Term | INR 8 CR | SMERA A4 (Suspended) |
| 21-Oct-2014 | Cash Credit | Long Term | INR 8 CR | SMERA BB- / Stable (Upgraded) |
| | Bank Guarantee | Short Term | INR 12 CR | SMERA A4 (Reaffirmed) |
| | Inland Letter of Credit | Short Term | INR 8 CR | SMERA A4 (Reaffirmed) |
| 02-Sep-2013 | Cash Credit | Long Term | INR 6.25 CR | SMERA B+ / Stable (Assigned) |
| | Bank Guarantee | Short Term | INR 20 CR | SMERA A4 (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 | Not Applicable | Not Applicable | Not Applicable | 8.00 | SMERA B+ / Stable |
| Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 12.00 | SMERA A4 |
| Inland Letter of credit | Not Applicable | Not Applicable | Not Applicable | 3.00 | SMERA A4 |

Contacts:

| Analytical | Rating Desk |
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| Vinayak Nayak, Head – Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in | Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in |
| Sudarson Swami Rating Analyst Tel: 022-67141179 sudarson.swami@smera.in | |

ABOUT SMERA

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