

Press Release

Allied Engineering Works Private Limited

November 27, 2019



Rating Withdrawn

Total Bank Facilities Rated*	Rs. 80.00 Cr.
Long Term Rating	ACUITE BB (Withdrawn)
Short Term Rating	ACUITE A4+ (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has withdrawn its long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) and short-term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.80.00 crore bank facilities of Allied Engineering Works Private Limited (AEPL). The rating withdrawal is in accordance with Acuité's policy on withdrawal of rating.

The rating is being withdrawn on account of request received from the company and NOC from the Bankers.

Incorporated in 2011, the company is promoted by Mr. Ashutosh Goel and his mother, Mrs. Bimla Devi Goel. The company is engaged in the manufacture of Electric Meters and Cables. They currently have 4 manufacturing units located in Delhi Industrial Area; equally divided between both products. Their current capacity for Electric Meters is at 3 lakh units per month running and they are currently manufacturing 2 lakh units from the same. They are utilising around 65 percent of the cable manufacturing unit. Almost all of their suppliers are domestic and their customers include corporate clients such as L&T, Ashoka Buildcon, Tata and Vijai Electricals, to name a few.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

The company is promoted by Mr. Ashutosh Goel, who has been in the company for his entire career which spans for more than 15 years and Mrs. Bimla Goel has been in this business for more than three decades (previously a partnership). Acuité believes that the company will continue to benefit from its experienced management.

- **Improvement in revenues**

The company has demonstrated healthy revenue scalability which has grown at a CAGR of 15 per cent for last three years ending FY2019. The company has registered revenues of Rs.178.91 crore for FY2019 as against Rs.110.37 crore for FY2018 and Rs.42.22 crore for FY2017. This was primarily due to the increase in production capacities of Electric Meters and Cables. The revenues have increased backed by healthy orders and new geographical reach of the company.

- **Moderate financial risk profile**

The financial risk profile of AEPL is moderate marked by moderate net worth, debt protection metrics and leverage ratios. The tangible net worth of AEPL stood at Rs.15.01 crore as on 31 March, 2019 as against Rs. 9.35 crore as on 31 March 2018. Gearing (debt-equity) stood moderate at 0.80 times as on 31 March 2019 as against 1.95 times in the previous year. The total debt of the company as on 31 March 2019 stood at Rs.11.94 crore as on 31 March, 2019 comprises of unsecured loans of Rs.2.91 crore, working capital limits of Rs.4.77 crore and term loan outstanding of Rs.4.26 crore. The coverage indicators stood healthy marked by interest coverage ratio (ICR) of the company at 4.48 times in FY2019 as against 3.31 times in the previous year. The debt service coverage ratio (DSCR) stood at 2.21 times in FY2019 as compared to 2.01 times in FY2018. Total outside liabilities to tangible net worth stood high at 2.91 times as on 31 March, 2019 as against 5.82 times in the previous year. Acuité believes that the financial risk profile of the company will remain

moderate in the absence of any major debt funded capex and backed by healthy net cash accruals.

Weaknesses

• Pressure on margins and competition in the industry

The raw materials cost comprises ~80 per cent of the cost of sales for the company. If the company is unable to pass on the increase in raw material prices to its customers, profit margins for the company will be negatively impacted. Further, AEPL operates in a highly competitive and fragmented market with limited entry barriers. This results in the presence of large number of players in the unorganized sector, thereby limiting the bargaining power of the company with its customers. Acuité believes that established relations with suppliers will be crucial for the company for procuring its raw material.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	178.91	110.37	42.22
EBITDA	Rs. Cr.	10.42	6.83	2.34
PAT	Rs. Cr.	4.70	2.69	0.44
EBITDA Margin	(%)	5.82	6.19	5.54
PAT Margin	(%)	2.63	2.44	1.05
ROCE	(%)	31.80	27.32	14.21
Total Debt/Tangible Net Worth	Times	0.80	1.95	1.52
PBDIT/Interest	Times	4.48	3.31	1.65
Total Debt/PBDIT	Times	1.13	2.52	3.79
Gross Current Assets (Days)	Days	90	162	204

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

Not Applicable

Any other information

Acuité is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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. Cr.)	Ratings/Outlook
25-Apr-2019	Cash Credit	Long Term	9.00	ACUITE BB / Stable (Upgraded)
	Term Loan	Long Term	5.00	ACUITE BB / Stable (Assigned)
	Letter of Credit	Short Term	29.00	ACUITE A4+ (Upgraded)
	Letter of Credit	Short Term	20.00	ACUITE A4+ (Assigned)
	Proposed Bank Facility	Long Term	3.00	ACUITE BB / Stable (Assigned)
	Proposed Bank Facility	Short Term	14.00	ACUITE A4+ (Assigned)
24-Apr-2018	Cash Credit	Long Term	8.00	ACUITE B+ (Indicative)

	Bank Guarantee	Short Term	12.00	ACUITE A4 (Indicative)
	Letter of Credit	Short Term	3.00	ACUITE A4 (Indicative)
08-Aug-2016	Cash Credit	Long Term	8.00	ACUITE B+ / Stable (Reaffirmed)
	Bank Guarantee	Short Term	12.00	ACUITE A4 (Reaffirmed)
	Letter of Credit	Short Term	3.00	ACUITE A4 (Reaffirmed)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE BB (Withdrawn)
Term Loan	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB (Withdrawn)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	29.00	ACUITE A4+ (Withdrawn)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A4+ (Withdrawn)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB (Withdrawn)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE A4+ (Withdrawn)

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About Acuité Ratings & Research:

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