



SMERA RATINGS LIMITED

Arudra Engineers Private Limited (AEPL)

Rating
RationaleMay 09, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	8.00	SMERA A/Stable (Assigned)
Bank Guarantee	40.00	SMERA A1 (Assigned)
Letter of Credit	2.00	SMERA A1 (Assigned)

SMERA has assigned ratings of '**SMERA A**' (read as **SMERA single A**) and '**SMERA A1**' (read as **SMERA A one**) to the abovementioned bank facilities of Arudra Engineers Private Limited (AEPL). The outlook is '**Stable**'. The ratings are supported by the company's long track record of operations, experienced management and established association with reputed customers. The ratings are further supported by the company's healthy financial risk profile and comfortable liquidity position. However, the ratings are constrained by the company's uneven revenue stream. The ratings are also constrained by the decline in the company's net profit margin.

AEPL, established in 1980, is part of the Tamil Nadu-based IGP Group. AEPL is engaged in manufacturing of material handling equipment and cleaning chemicals. Further, the company undertakes setting up of water distribution systems and fire fighting equipment. AEPL is also engaged in chemical cleaning of high pressure boilers, condensers, pipelines and heat exchangers. The company benefits from its experienced management. AEPL has long-standing relations with various reputed customers, including Defence Research and Development Organisation (DRDO), Bharat Oman Refineries Limited and JSW Steel Limited.

AEPL's healthy financial risk profile is marked by low gearing (debt-to-equity ratio) of 0.38 times as on March 31, 2013 and strong interest coverage ratio of 8.37 times in FY2012-13 (refers to financial year, April 01 to March 31). The company's comfortable liquidity position is evidenced by moderate utilisation (~66 per cent) of cash credit limit during August 2013 to February 2014.

AEPL has an uneven revenue stream. The company's revenues increased from Rs.50.74 crore in FY2008-09 to Rs.122.58 crore in FY2011-12 and thereafter declined to Rs.90.32 crore in FY2012-13. AEPL's net profit margin declined from 11.12 per cent in FY2012-13 to 7.70 per cent (provisional) in FY2013-14, as the company largely undertook low-margin orders during the year.

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Arudra Engineers Private Limited (AEPL)

Rating Rationale

Outlook: Stable

SMERA believes the outlook on AEPL's rated facilities will remain stable over the medium term. The company's ability to expand its scale of operations without compromising on profitability and liquidity will be a key rating sensitivity. The outlook may be revised to 'Negative' in case of sharp deterioration in the company's profit margins or capital structure. The outlook may be revised to 'Positive' in case the company demonstrates strong growth in revenues while maintaining efficient working capital management.

About the company

AEPL, established in 1980, is a Tamil Nadu-based company engaged in manufacturing of material handling equipment and cleaning chemicals. AEPL is also engaged in setting up of water distribution systems and fire fighting equipment. Further, the company undertakes chemical cleaning of high pressure boilers, condensers, pipelines and heat exchangers.

AEPL is managed by Mr. V. Lakshmanan, Mr. R. Natraj, Mr. V. Balasubramanian, Mr. K. Shyamsundar, Mr. Achutha Krishnamurthi, Mr. L. Suren and Mr. B. Satish. The company has a factory unit in Chennai, Tamil Nadu.

For FY2012-13, AEPL reported net profit of Rs.10.04 crore on total income of Rs.90.32 crore, as compared with net profit of Rs.12.11 crore on total income of Rs.122.58 crore for FY2011-12. Further, the company reported net profit of Rs.8.60 crore (provisional) on total income of Rs.111.76 crore (provisional) in FY2013-14. AEPL's net worth stood at Rs.39.51 crore as on March 31, 2013, as compared with Rs.31.24 crore a year earlier.

Contact List:

Media / Business Development	Analytical Contacts	Rating Desk
Mr. Sanjay Kher Head – Sales, Corporate Ratings Tel : +91 22 6714 1193 Cell : +91 98191 36541 Email : sanjay.kher@smera.in Web: www.smera.in	Mr. Umesh Nihalani Head – Corporate Ratings, Tel: +91-22-6714 1106 Email: umesh.nihalani@smera.in	Tel: +91-22-6714 1170 Email: ratingdesk@smera.in

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