

Arudra Engineers Private Limited: Reaffirmed

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

*Letter of Credit is one way interchangeable with Bank Guarantee Limit.

SMERA has reaffirmed the rating of '**SMERA A**' (read as SMERA A) and '**SMERA A1**' (read as SMERA A one) on the Rs.50.00 crore bank facilities of Arudra Engineers Private Limited (AEPL). The outlook is '**Stable**'.

The ratings continue to draw comfort from the company's strong market position and extensive experience of the promoters in the equipment manufacturing industry. The ratings also draw support from the healthy financial risk profile marked by low gearing ratio and strong debt protection metrics alongwith comfortable liquidity position. However, the ratings are constrained by the susceptibility of profitability to volatility in raw material prices.

Update

The operating income of AEPL grew around 15 per cent to Rs.107.45 crore in FY2015-16 (provisional) against Rs.93.12 crore in the previous year due to increase in the proportion of manufacturing sales. However, the operating margin declined to 12.83 per cent in FY2015-16 (provisional) vis-à-vis 14.25 per cent in the previous year due to growth in sales of lower margin products. The profitability continues to remain susceptible to volatility in raw material prices and change in the revenue mix.

AEPL, incorporated in 1980, undertakes chemical cleaning of tankers and also designs, manufactures and supplies material handling systems. The above rating draws comfort from its reputed clientele including JSW Steel Limited, Bharat Heavy Electricals Limited and Lalitpur Power Generation Company Limited. The financial risk profile continues to remain healthy marked by gearing of 0.36 times and interest coverage ratio of 4.52 times for FY2014-15. The gearing stands at 0.29 times and interest coverage at 4.70 times for FY2015-16 (provisional). The company plans to set-up an epoxy plant at a cost of Rs.6.00 crore to be funded through internal accruals. The project is expected to commence commercial operations by September, 2016.

The company's liquidity remains comfortable with cash credit limit utilisation of around 50 per cent for the last six months ended August, 2016.

Rating Sensitivity Factors

- Scaling up operations while improving profitability
- Efficient working capital management

Criteria applied to arrive at the ratings:

- Manufacturing Entities
- Trading Entities

Outlook-Stable

SMERA believes that AEPL will continue to maintain a stable outlook owing to its long standing presence in the material handling equipments' industry and extensive experience of the management in the aforementioned. The outlook may be revised to 'Positive' if the company achieves higher than expected revenue alongwith improvement in profitability while maintaining its liquidity position. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile or liquidity position.

About the Company

AEPL, established in 1980, undertakes chemical cleaning of high pressure boilers, condensers, pipelines and heat exchangers. The company also designs, manufactures and supplies material handling systems and equipments (conveyor belts for mini blast furnace, conveyor pulleys and standard construction pulleys). AEPL is headed by Mr. R. Natraj, Mr. V. Lakshmanan, Mr. V. Balasubramanian among others.

In FY2014-15, AEPL reported profit after tax (PAT) of Rs.4.30 crore on operating income of Rs.93.12 crore as compared to PAT of Rs.8.09 crore on operating income of Rs.103.72 crore in the previous year. Further, the company reported profit before tax of Rs.5.07 crore on operating income of Rs.107.45 crore for FY2015-16 (provisional).

Rating History:

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
18 August, 2015	Cash Credit	8.00	SMERA A (Reaffirmed)	-	Stable
	Bank of Guarantee	40.00	-	SMERA A1 (Reaffirmed)	-
	Letter of Credit	2.00	-	SMERA A1 (Reaffirmed)	-
9 May, 2014	Cash Credit	8.00	SMERA A (Assigned)	-	Stable
	Bank of Guarantee	40.00	-	SMERA A1 (Assigned)	-
	Letter of Credit	2.00	-	SMERA A1 (Assigned)	-

Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in

ABOUT SMERA

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