

Press Release

ARUDRA ENGINEERS PRIVATE LIMITED

16 January, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 50.00 Cr.
Long Term Rating	SMERA A / Outlook: Stable
Short Term Rating	SMERA A1

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA A**' (read as **SMERA A**) and short term rating of '**SMERA A1**' (read as **SMERA A one**) on the Rs. 50.00 crore bank facilities of ARUDRA ENGINEERS PRIVATE LIMITED (ARPL). The outlook is '**Stable**'.

AEPL, incorporated in 1980, is a Tamil Nadu-based company that 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 forming blast furnace, conveyor pulleys and standard construction pulleys). AEPL is headed by Mr. R. Natraj, Mr. V. Lakshmanan, Mr. V. Balasubramanian among others.

Key Rating Drivers

Strengths

- **Established track record, experienced management**

AEPL, incorporated in 1980 is promoted by Mr. R. Natraj, Mr. A. Krishnamurthi, Mr. V. Lakshmanan, Mr. V. Balasubramanian and Mr. K. Shyamsundar. The directors have more than three decades of experience in the engineering goods industry.

- **Comfortable financial risk profile**

AEPL's financial risk profile stands comfortable marked by net worth of Rs. 53.3 crore as on 31 March, 2017 compared to Rs. 50.8 crore as on 31 March, 2016. The gearing (debt-equity) stood comfortable at 0.4 times as on 31 March, 2017 as against 0.3 times as on 31 March, 2016. The Interest Coverage Ratio (ICR) stood at 4.6 times for FY2017 as against 4.7 times for FY2016. SMERA believes that AEPL's financial risk profile will remain comfortable over the medium term backed by comfortable liquidity position.

- **Established relations with customers and suppliers**

The long track record of operations has helped the company establish long standing relations with reputed customers including JSW Steel Limited (MFG), Reliance Industries Ltd, Bharat Heavy Electricals Ltd - Karnataka Jindal Steel & Power Ltd, Essar Projects (India) Limited etc.

Weaknesses

- **Moderate scale of operations and profitability**

AEPL has registered revenue of Rs. 111.84 crore in FY2017 as against Rs. 109.19 crore in FY2016. The operating margins (EBIDTA) declined to 10.21 per cent in FY2017 from 12.62 per cent in FY2016. The products of AEPL finds application in oil and gas industry, refineries and petrochemicals, power generation etc. The scale of operations is moderate. The profit margins are exposed to volatility in oil and steel prices. SMERA believes that the company will maintain its operations over the medium term on the back of ongoing capex and reputed clientele.

- **Working capital intensive operations:**

The company has high working capital requirements reflected in the high Gross Current Assets (GCA) of 254 days (PY: 201 days) in FY2017. This was on account of high debtors days of 161 days in FY2017 as against 135 days in FY2016 leading to higher working capital requirements. While the inventory stood at 74 days in FY2017 as against 72 days in FY2016. The company gets credit of 30-60 days from suppliers which moderates the working capital requirements. The average working capital limit utilisation of AEPL stood comfortable in the past six months ended November 2017.

Analytical Approach

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

Outlook: Stable

SMERA believes that AEPL will maintain a Stable outlook and continue to benefit from its long standing presence and experience of the management in the material handling and chemical cleaning segment. The outlook may be revised to 'Positive' if the company achieves higher than expected revenue along with improvement in profitability while maintain 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 Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	111.84	109.19	93.12
EBITDA	Rs. Cr.	11.41	13.78	13.27
PAT	Rs. Cr.	4.56	5.05	4.30
EBITDA Margin	(%)	10.21	12.62	14.25
PAT Margin	(%)	4.08	4.63	4.62
ROCE	(%)	11.87	15.87	30.45
Total Debt/Tangible Net Worth	Times	0.38	0.29	0.36
PBDIT/Interest	Times	4.57	4.70	4.52
Total Debt/PBDIT	Times	1.68	1.01	1.24
Gross Current Assets (Days)	Days	254	201	230

Any other information

Not Applicable

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
	Cash Credit	Long Term	INR 8.00	SMERA A / Stable (Reaffirmed)

12-Oct-2016	Letter of Credit	Short Term	INR 2.00	SMERA A1 (Reaffirmed)
	Bank Guarantee	Short Term	INR 40.00*	SMERA A1 (Reaffirmed)
18-Aug-2015	Cash Credit	Long Term	INR 8.00	SMERA A / Stable (Reaffirmed)
	Bank Guarantee	Short Term	INR 40.00*	SMERA A1 (Reaffirmed)
	Letter of Credit	Short Term	INR 2.00	SMERA A1 (Reaffirmed)
09-May-2014	Cash Credit	Long Term	INR 8.00	SMERA A / Stable (Assigned)
	Letter of Credit	Short Term	INR 2.00	SMERA A1 (Assigned)
	Bank Guarantee	Short Term	INR 40.00*	SMERA A1 (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 A / Stable (Reaffirmed)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	40.00*	SMERA A1 (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A1 (Reaffirmed)

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

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ABOUT SMERA

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