



Press Release

Allied Engineering Works Pvt Ltd (AEWPL)

December 28, 2022

Rating

Sr. No.	Instrument/ Facility	Amount (INR Crore)	Rating Assigned	Rating Action	Complexity Indicator
1	Long Term Bank Facilities	23.78	IVR BBB- /Positive (IVR Triple B minus with Positive outlook)	Assigned	Simple
2	Short Term Bank Facilities	81.22	IVR A3 (IVR A Three)	Assigned	Simple
	Total	105.00			

Details of facilities are in Annexure 1

Rating Rationale

The Positive outlook has been assigned on account of expectation of increase in scale of operations and profitability on the back of healthy unexecuted order book position of the company and positive industry outlook for the smart meters.

The ratings assigned to the bank facilities of Allied Engineering Works Pvt Ltd derive strength from experienced management and established presence in the industry, moderate profitability margins, capital structure and debt coverage indicators and healthy albeit concentrated order book. The rating is however constrained by modest scale of operations, tender driven nature of business and intense competition and highly fragmented industry.

Key Rating Sensitivities:

➤ **Upward Rating Factor:**

- Significant growth in scale of business with further improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity.



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- Improvement in the capital structure with further improvement in debt protection metrics.
- **Downward Rating Factor:**
 - Dip in operating income and/or profitability thereby impacting the debt coverage indicators and/or any deterioration in the financial risk profile.
 - Any further significant rise in working capital intensity or unplanned capex leading to any deterioration in the liquidity position.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced Management and Established presence in the industry: Mr. Ashutosh Goel and Ms. Bimla Devi Goel are the Directors in the company and manage day to day operations. Mr Vikas Anand handles overall operations of the company and is supported by experienced management. The promoters have extensive experience of around three decades in the industry which has enabled them to understand the complexity of the business and helped building relationships with customers and suppliers.

Moderate profitability albeit modest scale of operations: The operating income of the company has increased by 55.97% in FY22 compared with previous fiscal year, majorly on account of the ease in Covid-19 related restrictions as order from the customers has increased following the increased flow of tenders post covid-19. TOI of the company increased to Rs. 122.98 crore in FY22 as compared to Rs. 78.36 crore in FY21 though the same remained below its pre-Covid level. Profitability margins of the company remained moderate for FY2022 marked by EBITDA margin of 7.08% and PAT margin of 5.01% as against 9.44% and 3.20% respectively in FY21. The deterioration in EBITDA margin is on account of higher cost of raw material consumed in FY22 , however PAT margin improved by 181 bps due to lower in interest and depreciation expenses. The GCA of the company has increased from Rs. 4.97 crore in FY21 to Rs. 7.68 crore in FY22. The company has reported PAT of Rs.3.50 crore on total operating income of Rs.65.06 crore in H1FY23 as against PAT of Rs.3.10 crore on total operating income of Rs.61.39 crore in H1FY22.

Moderate capital structure and debt coverage indicators: Overall gearing of the company improved to 0.67x as on March 31, 2022, compared to 0.86x as on March 31, 2021, due to



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accretion of profits to reserves and decline in overall debt. Similarly, TOL/TNW of the company has improved to 2.23x as on March 31, 2022, compared to 3.14x on March 31, 2021. Interest coverage ratio (ICR) of the company has improved to 7.16x for FY22 compared to 6.12x in FY21 due to decrease in interest cost and increase in absolute EBITDA. DSCR of the company has deteriorated to 3.56x for FY22 compared to 5.11x in FY21 on account of increase in current portion of long-term debt. Total Debt/GCA of the company has improved to 2.45x for FY22 compared to 3.94x in FY21.

Healthy albeit concentrated Order Book: The company has an outstanding order book of Rs. 632.39 crore as on November 24, 2022, resulting in medium term revenue visibility. Further the company is L1 bidder in orders worth Rs. 48.72 crore. The unexecuted order book constitutes for 5.14 times of the TOI of FY22. However, top three orders of the company constitute for 74.17% of the total unexecuted order book resulting in concentrated order book. The company expects increase in scale of operations in FY23 on y-o-y basis on account of expectation of higher execution of its healthy outstanding order book.

Key Rating Weaknesses

Tender driven nature of business: Execution risks for newly awarded projects in a timely manner will be key to achieving growth in revenues and profits. Business certainty is dependent on the company's ability to successfully bid for the tenders floated by state electricity boards (SEBs) which limit the pricing flexibility. The company's revenue profile is exposed to risks associated with the tender-based nature of its business as entire business is tender based.

Intense competition and highly fragmented industry: The industry is highly fragmented, with several players bidding for the similar products and services. This limits the company's ability to improve operating margins.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning Rating Outlook.](#)



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Liquidity: Adequate

The Company has been earning a moderate level of GCA for the last few years and the same is expected to increase further with increase in scale of operations. The company maintains moderate cash and bank balance to meet its liquidity requirements. The unencumbered cash and bank balances remained at Rs. 2.90 crores as on 31st March 2022 which increased from Rs. 0.85 crore as on March 31, 2021. The average utilization of working capital limits remained at 63.46% during the 12 months ended October 2022. The non-fund based average limit utilization remained at 85.16% during the last 12 months ended October 2022. The company expects sufficient cushion in cash accruals against its debt obligations going forward. The Current ratio stood moderate at 1.22x as of March 31, 2021 & 1.62x as at March 31, 2022. Overall, the liquidity position is Adequate. Operating cycle of the company has improved to 94 days for FY22 compared to 117 days in FY21 due to decline in the inventory and collection period with an increase in its scale of operations.

About the Company

Allied Engineering Works Pvt Ltd (AEWPL) is engaged in manufacturing Energy meters, Wires & cables and Smart grid solutions for last 10 years. AEWPL was incorporated in 2011 and has its registered office located in Delhi. Manufacturing units are in Delhi with total floor area >150000 sqft. employing more than 450 people with 100+ engineers. The company's products include auto-wire, building wires up to 1100v, solar cables, submersible cables and welding cables among others. It also offers metering solutions such as smart meters AMI/AMR, prepaid meters, and electronic energy meters. AEWPL has 3 manufacturing units located in Badli Industrial Area (Delhi).

Financials (Standalone)

in Rs. Crore

For the year ended* As on	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	78.36	122.98
EBITDA	7.39	8.71



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PAT	2.53	6.20
Total Debt	19.55	18.84
Tangible Net Worth	22.84	28.31
EBITDA Margin (%)	9.44	7.08
PAT Margin (%)	3.20	5.01
Overall Gearing Ratio (x)	0.86	0.67

**Classification as per Infomerics' standards*

Details of Non-Co-operation with any other CRA: The ratings of the company i.e. Allied Engineering Works Pvt Ltd has been moved to INC by CRISIL as per the Press Release dated November 29, 2022 due to unavailability of the information.

Any other information: Not Applicable

Rating History for last three years:

Name of the Facility/ Instrument	Current Rating (Year: 2022-23)			Rating History for the past 3 years		
	Type	Amount (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
Term Loan	Long Term	4.78	IVR BBB-/Positive	-	-	-
Cash Credit	Long Term	14.00	IVR BBB-/Positive	-	-	-
Proposed	Long Term	5.00	IVR BBB-/Positive	-	-	-
LC/BG	Short Term	62.00	IVR A3			
Proposed	Short Term	19.22	IVR A3	-	-	-

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facility – Cash Credit	-	-	-	14.00	IVR BBB-/ Positive
Long Term Fund Based Facility – Term Loan	-	-	FY2024	2.77	IVR BBB-/ Positive
Long Term Fund Based Facility – Term Loan	-	-	FY2026	1.07	IVR BBB-/ Positive
Long Term Fund Based Facility – Term Loan	-	-	FY2025	0.94	IVR BBB-/ Positive
Long Term Fund Based Facility – Proposed	-	-	-	5.00	IVR BBB-/ Positive
Short Term Non-Fund Based Facility- LC/BG	-	-	-	62.00	IVR A3
Short Term Non-Fund Based Facility- Proposed	-	-	-	19.22	IVR A3

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-AEWPL-dec22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.