Rating Rationale

AKE Infrastructure Pvt Ltd

16 March 2018

Brickwork Ratings reaffirms BWR BB- for the bank loan facilities of Rs. 18.90 Crores of AKE Infrastructure Pvt Ltd ('AKEIPL or the Company')

Particulars

Facility Rated	Amount (Rs. Crs)		Tenure	Rating [1]	
	Previous	Present*		Previous Feb 2017	Present
Fund Based					
Cash Credit	3.00	3.00	Long Term	**BWR BB-** (Pronounced BWR Double B Minus) Outlook: Stable	**BWR BB-** (Pronounced BWR Double B minus) **Outlook: Stable (Reaffirmed)**
Term Loan	15.90	15.90^			
Total	**18.90**	**Rs.18.90 Crores (Rupees Eighteen Crores and Ninety Lakhs Only)**			

[1]Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
^includes undisbursed amount of Rs. 13.37 crs and outstanding amount of Rs. 2.53 crs
*Annexure I provide bank-wise details of facilities.

Rating Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results of the company upto FY17, publicly available information and information/clarifications provided by the management.

The rating continues to draw strength from the experienced management and consistent revenue growth. The rating remains constrained by the modest scale of operations, low net worth, customer concentration risk and susceptibility of profitability to fluctuations in input material prices.

Going forward, the ability of the company to improve its scale of operations, complete its ongoing project as envisaged, strengthen its credit profile and manage its working capital efficiently would be the key rating sensitivities.

Rating Outlook: Stable

BWR believes **AKE Infrastructure Pvt Ltd's** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

Key Risk drivers

Credit Strengths:

- **Experienced management :** The management has over two decades of experience in the engineering sector and the company has established relationships with its clients and suppliers.
- **Consistent performance :** The company has shown consistent performance in terms of its revenue growth over the last 3 years and improved profitability.
- **Healthy debt protection metrics :** Debt protection metrics are comfortable as indicated by Interest Service coverage Ratio (ISCR) of 7.84 times and Debt Service coverage ratio (DSCR) of 2.96 times for FY 17.

Credit Weaknesses :

- **Modest scale of operations :** The scale of operations are moderate marked by total operating income (TOI) of Rs. 43.16 crs during FY17 as against total operating income of Rs. 29.44 crs in FY16.
- **Project execution risk** : The capacity expansion project is underway and around 50% of construction is completed. The project was initially estimated to be completed in March 2018 and is now expected to be implemented by June 2018. The execution of the project as proposed is key for further growth.
- **High Customer concentration risk :** Majority of orders are from Ajax Fiori Engineering (I) Pvt Ltd, which contributes around 94% of AKEIPL's total sales. Hence there is significant customer concentration risk.

Analytical approach

BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale)

About the Company

AKE Infrastructure Pvt Ltd, Bangalore was established in 1996 as a proprietorship concern by Mr. Arun Kumar T.S and was subsequently reconstituted as a private limited company in December 2013. The company is engaged in manufacturing of sub-assemblies for batching plants & mobile concrete mixers, material handling equipment and the related items. The factory is located at Peenya Industrial Area, Bangalore. Another unit for expanding the existing capacity is under implementation at Dabaspet (Nelamangala Taluk, Bengaluru Rural District), with a capacity of 6000 tonnes at cost of Rs. 22.57 crs, to be funded by promoters contribution of Rs.6.67 crs and the term loan of Rs 15.90 crs.

Mr. Arun Kumar. T.S is the Managing Director and Mrs. Rashmi Arun is the other director.

Financial Performance

AKEIPL reported total operating income of Rs. 43.16 Crs and PAT of Rs. 1.15 Cr in FY17 as against total operating income of Rs. 29.44 Crs and PAT of Rs. 0.60 Crs in FY16. Net worth was Rs.2.69 crs as on 31st March 2017. Directors had also brought in unsecured loans of Rs. 3.10 crs as on 31st March 2017. ISCR and DSCR were 7.84 times and 2.96 times respectively and Current ratio was relatively low at 1.01 times as on 31 March 2017. On a provisional basis, the company has reported sales of around Rs. 37.00 crs for 10MFY18.

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

Any other information : NA

Rating History for the last three years :

Sl. No.	Instrument/Facility	Current Rating (Year 2018)			Rating History		
		Type	Amount (Rs Crs)	Rating	23 Feb 2017*	2016	2015
1	Term Loan	Long term	15.90	**BWR BB-** Outlook: Stable (Reaffirmed)	**BWR BB-** Outlook: Stable (Assigned)	-	-
2	Cash Credit		3.00				
	Total		**18.90**	**Rupees Eighteen Crores and Ninety Lakhs Only**			

* amount rated Rs. 18.90 crs

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Manufacturing Companies

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AKE Infrastructure Pvt Ltd
Annexure I
Bank Facilities Details (Rs. Crs)

Name of the Bank	Facilities	Tenure	Amount (₹ Crores)
State Bank of India	Cash Credit	Long Term	3.00
	Term Loan		15.90*
Total			**18.90**

*includes undisbursed amount of Rs. 13.37 crs and outstanding amount of Rs. 2.53 crs

AKE Infrastructure Pvt Ltd
Annexure II
Key Financial Indicators

		FY 16 (A)	FY 17 (A)
Total Operating Income	Rs. Crs	29.44	43.16
EBITDA	Rs. Crs	1.35	2.63
PAT	Rs. Crs	0.60	1.15
TNW	Rs. Crs	0.86	2.69
Total Debt/TNW	Times	5.80	3.19
Current Ratio	Times	1.06	1.01

Note on complexity levels of the rated instrument:
BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100cities.

DISCLAIMER

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