



## RATING RATIONALE

04 Feb 2020

### ALLIED ENGINEERS

**Brickwork Ratings Downgrades long term ratings and short term ratings for the Bank Loan Facilities of ₹ 6.75 Crores of Allied Engineers (AE).**

#### Particulars

Facility/ Instrument**	Previous Amount(₹ Cr)	Present Amount (₹ Cr)	Tenure	Previous Rating (May 2018)	Rating*
<b>Fund based</b> O.D Clean	2.00	2.00	Long Term	BWR B Stable	BWR D (Downgraded)
<b>Fund Based</b> Packing Credit FBP/FBD	1.75 3.00	1.75 3.00	Short Term	BWR A4	BWR D (Downgraded)
<b>Total</b>	<b>6.75</b>	<b>6.75</b>	<b>INR Six Crores Seventy Five Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\*\* Details of Bank facilities/is provided in Annexure-I

#### RATING ACTION/OUTLOOK

BWR has downgraded the rating to BWR D for Long term bank facilities and Short term bank facilities.

The ratings take into consideration the Extensive Experience of Promoters in Manufacturing of Engineering Goods Business. The ratings are however constrained by the Small Scale of Operations, High Gearing Level, Low Net Profitability Margins and Delay in Servicing of Debt and Account is in SMA-2 Category.

BWR believes that the business risk profile of AE will be maintained over the medium term. The rating outlook may be revised to 'Stable' in case the servicing of debt is regular. The rating Outlook may be revised to Positive If there is a Significant Improvement in Firm scale of Operations, Profitability Margins. The rating outlook may be revised to 'Negative' if there is any deterioration in the Financial Risk Profile of the Firm.



## KEY RATING DRIVERS

### Credit Strengths:

1. **Extensive Experience of the Promoters :** The promoters of the Company have rich experience of more than two decades in the manufacturing of Engineering goods. The promoters of the company have rich experience of more than two decades that helps them to maintain a better relationship with their customers and suppliers as well.

### Credit Risks:

1. **Small Scale of Operations :** The Firm has Small Scale of Operations with Revenues of Rs 8.80 crores in FY19 and low net worth of Rs 1.22 Crores in FY19.
2. **High Gearing Level :** The Firm has a high gearing level with TOL/TNW of 6.91 Times in FY19. due to low net worth and high borrowings.
3. **Delayed Servicing of Debt :** There has been a consistent delay in servicing of interest as well as principal for the past few months for Packing Credit Limit for more than 60 days.

### Analytical Approach and Applicable Rating Criteria

For arriving at its ratings, BWR has considered the standalone approach for the Company. BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

### RATING SENSITIVITIES

Going forward, Improvement in Scale of Operations, Profitability Margins & Regularisation of Account will be the Key rating sensitivities.

**Positive :** The Rating will be upgraded if the Company is able to make Significant Improvement in their Revenues, Profitability Margins, and Regularisation of Account going forward.

**Negative :** The Rating will be downgraded if there is any deterioration in the Financial Risk Profile of the Company including revenue.

### LIQUIDITY POSITION : Stretched

The Firm has Nil Associate Concern or Subsidiary Concern. The Firm has Cash & Bank Balances of Rs 0.03 Cr in FY19 (Audited). Current ratio was 1.12 times in FY19 (Audited). Average working capital utilization for the last Six months period (July 2019 to December 2019) is 98% for limits. The Company has Long Term Borrowings consisting of Unsecured Loan from Directors of Rs 0.14 crores and Car Loan of Rs 0.35 crores from IDFC Bank and Yes Bank . The Company has a conversion cycle of 331 days due



to High Days Receivables of 198 days and Days Inventory of 163 Days in FY19 (Audited). The Firm ISCR at 0.79 times and Debt Service Coverage Ratio of 1.01 Times as on March 31, 2019 (Audited).

**About the Firm**

M/s Allied Engineers was set up as a partnership concern in November 2010, in Ludhiana. Present Partners in the firm are Sh Bhagwant Singh, Smt Parvinder Kaur Narula, and Shri Gurpreet Singh Narula. The firm is engaged in manufacturing and trading of engineering goods like auto parts of tractors, three wheelers etc. Along with it other products in their range include hand tools and sewing machines & parts.

**Key Financial Indicators**

Key Parameters	Units	FY19 (Audited)	FY18 (Audited)
<b>Result Type</b>			
Operating Revenue	₹ Cr	8.08	10.17
EBITDA	₹ Cr	0.52	0.67
PAT	₹ Cr	0.01	0.01
Tangible Net worth	₹ Cr	1.22	1.38
TOL:TNW	Times	6.91	5.45
Current Ratio	Times	1.12	1.17

**KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : NA**

**NON-COOPERATION WITH PREVIOUS RATING AGENCY, IF ANY : NA**

**Rating History for the last three years**

S.No	Instrument /Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2019	2018	2017
1.	Fund Based O.D Clean	Long Term	2.00	<b>BWR D (Downgraded)</b>	<b>RNR</b>	<b>BWR B Stable Reaffirmed</b>	<b>BWR B Stable</b>



2.	<b>Fund Based</b> Packing Credit/PCFC FBP/FBD	Short Term	1.75 3.00	<b>BWR D</b> <b>(Downgraded)</b>	RNR	<b>BWR A4</b> <b>Reaffirmed</b>	<b>BWR A4</b>
<b>Total</b>			<b>6.75</b>	<b>Eight Crores Twenty Four Lakhs ₹ Only</b>			

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

Any other information- Nil

### COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

### Hyperlink/Reference to applicable Criteria

[General Criteria](#)

[Approach to Financial Ratios](#)

[Manufacturing Sector](#)

Analytical Contacts	Investor and Media Relations
<p>Aman Sharma Primary Analyst Board: 91 172- 5032295/6 aman.s@brickworkratings.com</p> <p>VK Kukreja Associate Director – Ratings Board: 91 11 -23412232 Kukreja.vk @brickworkratings.com</p>	<p>Liena Thakur Assistant Vice President - Corporate Communications +91 84339 94686 liena.t@brickworkratings.com</p>



Allied Engineers.

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Total (₹ Cr)
1	Bank of Baroda	<u>Fund Based</u> O.D Clean	2.00	2.00
2.	Bank of Baroda	<u>Fund Based</u> Packing Credit/PCFC FBP/FBD	Short Term (₹ Cr) 1.75 3.00	4.75
<b>TOTAL : INR Six Crores Seventy Five Lakhs Rupees Only</b>				<b>6.75</b>

**For print and digital media** The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

**About Brickwork Ratings** :Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.



**DISCLAIMER** Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.