

Rating Rationale

Brickwork Ratings assigns the Rating of ‘BWR BBB-’ for long-term Bank Loan Facilities of ₹ 50 Crores and the Rating of ‘BWR A3’ for short-term Facilities of ₹ 12 Crores for A.K. Power Industries Private Limited

Brickwork Ratings (BWR) has assigned the Rating¹ of ‘BWR BBB-’ (Pronounced BWR Triple B Minus) with a Stable outlook for Long term Bank Loan Facilities of A.K. Power Industries Private Limited (AKPI) of ₹ 50 Cr.

Brickwork Ratings (BWR) has also assigned the Rating¹ of ‘BWR A3’ (Pronounced BWR A three) for the short term Bank Loan Facilities of A.K. Power Industries Private Limited of ₹ 12 Cr.

Company Background:

A.K Power Industries Private Limited (AKPI), formerly known as A.K industries, a proprietary firm, was incorporated on 12th Nov 2008 as a private limited company. A.K Industries was set up in 1991 by Mrs. Archana Mallick . AKPI is manufacturing Tower structures, various hardware and accessories for transmission, Substation and distribution lines for more than 20 years. The Company has been serving as approved vendors for various State Electricity Boards like WBSETCL, GETCO, OPTCL, APTRANSCO etc. in India. AKPI has six manufacturing units with a total area of 5 acres located in the district of Howrah in West Bengal.

Business Model:

A.K Power Industries Private Limited (AKPI) is a manufacturer and supplier of Electrical Overhead Equipment and various Hardware Fittings. It serves as the Main Role Project suppliers of Transmission, Substation and distribution lines. AKPI presently has 6 manufacturing units with total installed capacity of 30000 MTPA. The Company is in the process of setting up a Fabrication Plant with a capacity of 36000 MTPA and Galvanising plant of 34950 MTPA.

The Company has started Commercial Production in February 2013. AKPI had an outstanding order Book of Rs. 70 Crs. as of January 2013.

¹ Please refer to BWR website www.brickworkratings.com for definition of the ratings assigned

Expansion Plan:

AKPI is setting up fabrication and Galvanising plant for Tower and Structure Products at Unit -6 Howrah –Amta Road , Kantalia, Nibra Howrah. The Total Cost of the Project is Rs. 44.91 Cr. The entire project is funded through Rs 25.61 Crs of Equity and Rs 19.30 Crs Eof Debt. The Project has been segregated in to two parts Fabrication and Galvanization.

Fabrication Unit- Total Project cost of Fabrication unit is Rs. 21.39 Crs. AKPI has taken a term Loan of Rs. 7 Crs. from Allahabad Bank and balance Rs. 14.39 Crs. was brought by promoter for the Project. The unit has started commercial production from February 2013.

Galvanising Unit -The Company presently outsources its galvanizing work to third party near its plant. AKPI is presently doing cost benefit analysis to assess the advantages of setting up the Galvanizing unit.

Share Holding and Management Profile:

Majority of AKPI Shareholding is held by Mrs. Archan Mallick and her son Mr.Ayan Mallick. Mrs. Archana Mallick holds 25.63% and Mr. Ayan Mallick holds 60.30%. The rest of 14.07 % is held by Trans Hardware alloy Casting private Limited which is in the business of manufacturing and Engineering Product as on 31st December 2012.

Mr. Ayan Mallick, is the Managing Director of AKPI, and very actively involved in day to day business Operations of the Company. The Company has a team of qualified work force with substantial experience in the sector. It is also in the process of recruiting additional manpower for implementation as well as operation of the proposed plant.

Financial Performance:

AKPI had achieved a Net sale of Rs. 60.15 Crs. in FY10. FY10,, Trading activities contributed Rs 41.91 Crs. and Rs. 18.24 Crs Sales was contributed by manufacturing activities.. In FY11, Net sales of the Company grew by 53.9% to Rs. 92.62 Crs. In FY11, Trading activities contributed Rs 22.40 Crs. and Rs. 70.22 Crs Sales was contributed by manufacturing activities. Further in FY 12, Net sales for AKPI grew by % 26.48 to Rs. 117.15 Crs. Trading activities has increased from Rs. 22.40 Cr. in FY11 to Rs. 56.59 Crs in FY12. Sales from manufacturing segment decreased from Rs. 76.91 Cr. in FY 11 to 61.25 Crs in FY12. Profit After Tax (PAT) for AKPI was Rs. 0.50 Crs. in FY 10. PAT for AKPI increased to Rs. 0.99 Crs and Rs. 1.27 Crs respectively in FY11 and FY12. AKPI has projected the manufacturing sales

to grow in future mainly from capacity addition in near term. Debt-Equity and Interest Coverage for AKPI stood at 0.68 and 1.69 in FY12 respectively. The promoters of the Company have infused Equity of Rs. 10.33 Crs in FY12. Additional Equity of Rs. 4 Crs. is expected to be infused by March 2013. The Share application money of Rs.6.37 crores appearing in the Company's Balance sheet of FY12 would be fully allotted by AKPI by March 2013.

Receivables periods is high for AKPI as company achieves ~20 % of its sales from government organization. The payment period for government is around three Months and transaction happens through Letter of credit. However, AKPI is focusing on Private Players for new orders with negotiating for better Payment period for new projects, which is expected to improve the receivable period. AKPI's inventories are high due to longer production cycles of some products. It also maintains high inventory levels for some material to safeguard against increase in prices.

Ratings Outlook:

The financial position of AKPI is constrained by high receivable and inventory holding days. The Commercial productions for the company have started in February 2013 and utilization levels are expected to grow steadily. AKPI's ability to manage projected utilization level, cost of raw materials and maintaining healthy work order position will be key rating sensitivities for the company.

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Annexure –I

Profit & Loss account

Crores (in ₹)	31-03-2010	31-03-2011	31-03-2012
Result Type	Audited	Audited	Audited
Manufacturing Sales	18.24	70.22	61.25
Traded Goods Sales	41.91	22.40	56.59
Excise Duty/Sales Tax	-	7.11	5.7
Net Sales	60.15	92.21	112.13
Other Operating Income	1.39	2.29	6.75
Total Operating Income	61.54	94.91	118.88
Operating Expenses	59.92	91.36	113.35
Operating Profit Before Depreciation, Interest and Taxes	1.62	3.55	5.52
Depreciation/Amortization/Impairment	0.09	0.31	0.48
Operating Profit Before Interest and Tax	1.53	3.24	5.04
Operating Profit Before Tax	0.68	1.33	1.77
Non Operating Income(Expenses)	0.04	0.04	0.13
Profit Before Tax	0.73	1.38	1.91
Extraordinary/Prior Period Income(Expense)	-	0.12	-
Provision for Taxes	0.22	0.51	0.63
Adjusted Profit After Tax(Continuing Operations)	0.5	0.99	1.27
Adjusted Profit After Tax	0.5	0.99	1.27

Annexure –II
Balance Sheet

Crores (in ₹)	31-03-2010	31-03-2011	31-03-2012
Result Type	Audited	Audited	Audited
EQUITY AND LIABILITIES	13.08	20.37	29.64
Share capital	6.21	12.58	22.88
Share Application money Pending allotment	6.37	6.3	4
Reserves and Surplus	0.5	1.49	2.76
Non-current liabilities	0.29	0.17	0.26
Long-Term Borrowings	0.29	0.16	0.24
Deferred tax Liabilities (Net)	-	0.01	0.02
Current liabilities	32.77	49.76	53.86
Short-Term Borrowings	5.26	12.33	19.62
Current Portion Of Long Term Debt	-	0.12	0.17
Trade Payables	26.98	31.83	28.11
Other Current Liabilities	0.31	5.21	5.6
Short-Term Provisions	0.22	0.28	0.36
Total Liabilities	46.14	70.31	83.76
ASSETS			
Non-current assets	1.81	5.77	10.23
Net Fixed assets	1.33	1.96	2.64
Capital Work-In-Progress	-	0.1	2.35
Non Current Investments	0.48	-	-
Long Term Loans and Advances	-	1.3	2.09
Other Non Current Assets(includes receivables > six months)	-	2.41	3.15
Current assets	44.28	64.48	73.53
Current Investments	-	0.65	2.16
Inventories	10.19	22.78	31.95
Trade Receivables < Six Months	29.94	34.59	34.36
Cash and Cash Equivalents	0.4	3.1	0.64
Short-Term Loans and Advances	3.75	3.36	4.44
Miscellaneous Expenditure To the Extent Not Written off	0.05	0.06	-
Total Assets	46.14	70.31	83.76

Annexure –III

Key Ratio*

		31-03-2010	31-03-2011	31-03-2012
Key Ratios		Audited	Audited	Audited
Total Debt/ Tangible Networth	Times	0.43	0.62	0.68
Interest Service Coverage Ratio	Times	1.92	1.87	1.69
Tangible Net Worth	Crores	13.03	20.31	29.64
Net Profit Margin	%	0.83	1.07	1.13
Net Cash Accruals/Total Debt	Times	0.11	0.11	0.09
ROCE	%	16.88	13.21	12.53
Current Ratio	Times	1.35	1.3	1.37

*As per BWR workings