

Rating Report

Brickwork Ratings assigns 'BWR D' for the Bank Loan Facilities aggregating ₹ 82.45 Cr of Aplab Limited

Brickwork Ratings (BWR) has assigned the following **Ratings**¹ for Bank Loan Facilities sanctioned by Bank of Maharashtra and Corporation Bank to Aplab Limited.

Facility	Tenure		Limits (₹ Cr)	Rating
Fund Based Cash Credit	Long Term	Existing Limit	26.00	BWR D
Fund Based Term Loan		Outstanding Amount	13.45	
Fund Based Bill Discounting Facility		Existing Limit	11.00	
Non Fund Based Letter of Credit	Short Term	Existing Limit	10.00	
Non Fund Based Bank Guarantee		Existing Limit	22.00	
Total			82.45	

BWR has essentially relied upon the audited financial results of Aplab Limited upto FY14, projected financial statements of FY15 and FY16 and information/clarifications provided by the management of the company.

The ratings draw strength from the experience of the promoters and directors, substantial improvements in the company's operating profit margins, significant improvement in revenue in FY14, healthy tangible network and reputed client base. However, the rating is constrained by company's high interest costs leading to very thin PAT margins, stretched working capital cycle, stressed liquidity profile and delay in servicing its term loans.

Background:

The company was incorporated as Applied Electronics Limited in 1964. It was later renamed as Aplab Limited in 1985. The company is listed on the Bombay Stock Exchange as well as stock exchanges in Delhi, Chennai and Pune. The corporate office and factory is at Thane, Maharashtra and an additional manufacturing facility at Navi Mumbai.

Business Operations:

Aplab Limited manufactures/assembles primarily the following products: Test & Measurement Instruments, Power Conversion & Controls, UPS Systems, Solar Power Products, Banking & Retail Automation and Cable Fault locating instruments. As per the management, UPS Systems & Power Conversion products and Banking automation products contribute to more than 75% of

¹ Please refer to www.brickworkratings.com for definition of the Ratings

its revenue. As per the management, having established the UPS & Power Conversion systems business, the company has diversified into Banking Automation products and increasing its market share in this sector as it is more profitable. Some of the key domestic clients of the company are the Defence, Hindustan Aeronautics Limited, Bharat Electronics Limited, L&T Ltd, Union Bank of India, Bank of Baroda etc. The biggest overseas clients of the company are Arabian Power Company located in the Kingdom of Saudi Arabia and Findel Education Limited, United Kingdom.

Management Profile:

The Chairman of Aplab Limited is Mr P S Deodhar and the Managing Director is Mr. Nishith Deodhar. They key promoters are Mr PS Deodhar, Mrs Amrita Deodhar and Zee Entertainment Enterprises Limited (ZEEL). ZEEL acquired a 26.42% stake in the company in 2002. Mr Amit Goenka and Mr Mukund Galgali represent ZEEL on the board of Aplab Limited.

Financial Performance:

As per audited financial statements of Aplab Limited for FY14, the Company's total operating income increased from Rs. 71.34 Cr in FY13 to Rs. 95.53 Cr in FY14. Operating profit margin increased from 0.90% in FY13 to 13.93% in FY14. PAT margins continued to remain stressed on account of high finance charges however have improved from -17.43% in FY13 to 0.89% in FY14. The company has days receivables of 78 and days inventory of 200 days, which indicates a stretched working capital cycle and a stressed liquidity profile. Tangible network as on 31st March 2014 stood at Rs. 27.65 Cr. Key Parameters are detailed in Annexure I and II.

Rating Outlook:

Going forward, the ability of the company to achieve its projected turnover, improve its working capital management, ease liquidity pressures, reduce interest costs and service its debt in a timely manner will be the key rating sensitivities.

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Annexure I: Summary of the Profit & Loss Statements

₹ Crores	FY12	FY13	FY14
Result Type	Audited	Audited	Audited
Gross Sales	101.67	75.04	101.70
Excise Duty/Sales Tax	4.52	3.70	6.17
Net Sales	97.15	71.34	95.53
Other Operating Income	0.00	0.00	0.00
Total Operating Income	97.15	71.34	95.53
Operating Expenses	88.29	70.70	82.23
OPBDIT	8.85	0.64	13.30
Depreciation	2.60	2.44	2.93
OPBIT	6.26	-1.80	10.38
Interest and Finance Charges	8.99	9.10	10.22
OPBT	-2.73	-10.90	0.16
Non-Operating Income(Expenses)	0.99	2.62	0.80
PBT	-1.74	-8.28	0.96
Provision for Taxes	0.06	0.19	0.11
PAT	-1.80	-12.43	0.85

Annexure II: Summary of the Balance Sheet

Rs. in Crores	FY12	FY13	FY14
Result Type	Audited	Audited	Audited
LIABILITIES			
EQUITY AND RESERVES	22.02	23.74	27.79
Share capital	5.00	5.00	5.00
Reserves and Surplus	16.79	18.40	22.35
Revaluation Reserve	0.12	0.03	0.03
Minority Interest	0.11	0.31	0.41
Non-current liabilities	12.26	25.18	22.84
Long-Term Borrowings	9.40	13.44	12.75
Other Long Term liabilities	0.28	0.17	0.35
Long-Term Provisions	2.57	11.56	9.74
Current liabilities	82.94	83.76	100.57
Short-Term Borrowings	50.42	54.38	59.01
Current Portion Of Long Term Debt	1.42	3.16	3.09
Trade Payables	17.67	15.01	25.08
Other Current Liabilities	11.42	8.69	10.54
Short-Term Provisions	2.01	2.51	2.86
Total Liabilities	117.21	132.67	151.20
ASSETS			
Non-current assets	37.47	69.91	83.77
Net Fixed assets	25.45	62.90	58.18
Net Intangible assets	0.63	0.17	0.11
Non-Current Investments	0.02	0.02	2.21
Deferred Tax Assets (Net)	0.10	0.04	0.01
Long Term Trade Receivables	6.95	2.56	3.04
Other Non-Current Assets	4.32	4.21	20.21
Current assets	79.74	62.76	67.43
Inventories	50.79	43.70	35.89
Trade Receivables > Six Months	3.94	1.58	2.10
Trade Receivables < Six Months	16.86	11.91	25.29
Cash and Cash Equivalents	2.47	3.24	0.43
Short-Term Loans and Advances	5.68	2.32	3.72
Other Current Assets	0.00	0.00	0.00
Total Assets	117.21	132.67	151.20