



## Press Release

### Anand Engineering Products Private Limited (AEPPL)

December 03, 2020

#### Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Bank Facilities	23.1	IVR BBB- / Stable (IVR Triple B Minus with Stable Outlook)	Assigned
Proposed Long Term Bank Facilities	65.9	IVR BBB- / Stable (IVR Triple B Minus with Stable Outlook)	Assigned
<b>Total</b>	<b>89.00 (Eighty Nine)</b>		

Details of Facilities are in Annexure 1

#### Detailed Rationale

The ratings assigned to bank facilities of Anand Engineering Products Private Limited factors Experienced Promoters and Robust Financial Risk Profile. However, rating is constrained owing to High Client Concentration and Capex Risk.

#### Key Rating Sensitivities:

##### Upward Factors

- Rating could be upgraded if there is substantial and sustained growth in operating income and profitability coupled with substantially increased customer diversification on a sustained basis.

##### Downward Factors

- Negative pressure on ratings could arise in case of moderation in operating income and/or profitability impacting the cash accruals and debt protection metrics

#### List of Key Rating Drivers with Detailed Description

##### Key Rating Strengths

##### Experienced Promoters

Promoters have more than three decades of experience in the industry, which have enabled strong relationships with various industry players, including customers of Vestas Wind



## Press Release

Technology India Pvt Ltd and Siemens Gamesa Renewable Power Pvt Ltd, which contribute to most of the revenue of the company over the years.

### **Robust Financial Risk Profile**

The total operating income stood at Rs. 101.81 crores in FY2020 (Rs. 46.08 crores in FY2019) and EBITDA and PAT margins were at 39.75% & 19.58% respectively. The debt protection metrics is comfortable with Total Outside Liabilities to Tangible Network at 0.58x and overall gearing ratio at 0.29x. The Interest Service Coverage ratio is comfortable at 5.9x as of 31st March 2020.

### **Key Rating Weaknesses**

#### **High Customer Concentration Risk**

More than 90% of the revenue of AEPPL, comes from a single customer, Vestas Wind Technology India Private limited, making AEPPL's revenue, profitability and consequently its financial profile, highly dependent on Vestas' growth plans. Lower-than-anticipated demand from Vestas and/or changes in key commercial terms could have a significant impact on AEPPL's credit risk profile. However, both the customers are major players in wind energy industry and hence contributes to the reliability and quality of products sold by the company.

#### **Capex Risk**

The company is setting up a manufacturing unit for capacity enhancement. The total project cost is estimated at Rs.85 crores which is to be funded partly through bank borrowings of Rs.51 crores and the balance from cash accruals and unsecured loans from promoters. Implementation risk is moderate since the orders for import of machinery is already placed and expected COD is February 2021. Construction has commenced in its existing land at Trichy and the company has placed orders for import of machinery. Demand risk is moderate driven by healthy demand from existing customers. Further the company plans to cater to other industries also and increase its customer base. Funding risk is also moderate, since Company has received in principal agreement to provide funding from a bank.

**Analytical Approach:** Standalone



## Press Release

### Applicable Criteria:

Rating Methodology for Infrastructure Companies  
Financial Ratios & Interpretation (Non- Financial Sector)

### Liquidity – Adequate

The liquidity position of the company is expected to remain adequate as the company is expected to generate steady cash accruals of over Rs. 30 crores in FY21, FY21-FY23 as against its scheduled debt repayment obligation of maximum of Rs. 13.22 crore over FY21-FY23. Company's working capital limits remain moderately utilized to the extent of ~60% during the past 12 months ended September 2020.

### About the Company

Anand Engineering Products Private Limited (AEPPL), incorporated in 1976, started as an ancillary to Bharat Heavy Electricals Limited [BHEL], Trichy in Tamil Nadu. It was reconstituted in 2005 to a private limited company from proprietorship concern. Company is involved in the process of fabrication of windmill towers for wind turbines, and heavy steel fabrication & assembly works for boilers of power plant and dumper bodies in earthmoving equipment. Primary operations of the Company, however, is with respect to wind tower manufacturing, with capacity range of 400 kW to 4.1 MW. Company has two manufacturing facilities, in Thuvakudi SIDCO Industrial Estate (Unit 1) and in Asoor (6 km away from Unit1) on Trichy – Tanjore National Highway. At present, all the fabrication activities are done at Unit 1 and surface preparation, storage and shipping activities are done from Unit 2. Present capacity is 23-25 towers of 4 MW Range per month or 6000+ tonnage per month.

### Financials (Standalone)\*:

(In Crore)

For the year ended / As on	31-03-2018	31-03-2019	31-03-2020
	(Audited)	(Audited)	(Provisional)
Total Operating Income	101.48	46.08	101.81
EBITDA	14.78	16.06	40.47
PAT	2.11	3.03	19.95
Total Debt	29.50	30.20	16.77



## Press Release

Adjusted Tangible Net-Worth	34.55	37.50	57.79
<b>Ratios</b>			
EBITDA Margin (%)	14.56	34.84	39.75
PAT Margin (%)	2.08	6.56	19.58
Overall Gearing Ratio (x)	0.85	0.81	0.29

\* Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** None

**Any other information:** None

**Rating History for last three years:**

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Bank Facilities	Long Term	23.1	IVR BBB- / Stable	--	--	--
2.	Proposed Long Term Bank Facilities	Long Term	65.9	IVR BBB- / Stable	--	--	--

**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](http://www.infomerics.com).

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**About Infomerics:**

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually



## Press Release

widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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### Annexure 1: Details of Facilities

Name of Facility	Size of Facility (Rs. Crore)	Maturity Date	Rating Assigned/ Outlook
Long Term Facility – Fund Based – Term Loan	7.78	2025	IVR BBB- / Stable
Proposed Long Term Facility - Fund Based – Term Loan	41.22	N/A	IVR BBB- / Stable
Long Term Facility – Fund Based – Cash Credit	15.32	N/A	IVR BBB- / Stable
Proposed Long Term Facility – Fund Based – Cash Credit	24.68	N/A	IVR BBB- / Stable