

### Anand Transformers Private Limited: Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	2.50	SMERA BB-/Stable (Assigned)
Overdraft Bill Discounting*	8.00	SMERA BB-/Stable (Assigned)
Letter of Credit	5.00	SMERA A4+ (Assigned)
Bank Guarantee	6.20	SMERA A4+ (Assigned)

\* Interchangeability up to Rs.2.00 Cr. from OD to BG.

SMERA has assigned long term rating of '**SMERA BB-** (read as **SMERA double B minus**) on the Rs.10.50 crore fund based facilities and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.11.20 crore non-fund based facilities of Anand Transformers Private Limited (ATPL). The outlook is '**Stable**'.

The ratings draw support from the experienced management, moderate financial risk profile marked by comfortable gearing and coverage ratios. SMERA also notes the improved working capital cycle and reputed list of clients. However, the ratings are constrained by the tender based business apart from a competitive and fragmented power and transmission industry.

ATPL, incorporated in 1988, is an Uttar Pradesh-based company that manufactures transformers. The company is also into construction and commissioning of high power transmission lines and sub-stations for SPUs. The company benefits from its experienced management. Mr. S.N. Agarwal, Managing Director, has around 30 years of experience in the industry.

The moderate financial risk profile is marked by comfortable leverage (debt-equity ratio) of 0.89 times in FY2015-16 against 0.83 times in FY2014-15. The moderate interest coverage ratio stood at 1.27 times in FY2015-16 against 0.10 times in FY2014-15 (refers to financial year, April 01 to March 31). The company registered net cash accruals to total debt (NCA/TD) of 0.04 times in FY2015-16 against - 0.34 times during the previous year. The ROCE of the company improved to 10.55 percent in FY2015-16 as against -0.16 percent in FY2014-15. The working capital cycle stands at 120 days in FY2015-16 as compared to 166 days in FY2014-15. SMERA also notes that the average utilisation of cash credit limit stands at ~57 per cent (October 2015 to September 2016). The company has reputed list of clients including state run power companies such as Dakshinanchal Vidyut Vitran Nigam Limited (DVVNL), Madhyanchal Vidyut Vitran Nigam Limited (MVVNL) and Paschimanchal Vidyut Vitran Nigam Limited (PVVNL) to name a few.

However, the company faces intense competition in the power and transmission industry. SMERA believes that the operations are expected to remain working capital intensive over the medium term due to the tender based nature of business.

#### Outlook: Stable

SMERA believes that the outlook on ATPL will be 'Stable' over the medium term owing to the experienced management. The outlook may be revised to 'Positive' in case the group registers higher-than-expected growth in revenues while improving working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the capital structure and profitability, or if the group undertakes large debt funded capex.

### Rating Sensitivity Factors

- Efficient management of working capital cycle
- Scaling up operations while improving profitability

### Criteria applied to arrive at the ratings:

- Manufacturing Entities

### About the Company

ATPL, incorporated in 1988, is an ISO 9001:2008 certified Uttar Pradesh-based company promoted by Mr. S.N. Agarwal who possesses around 30 years of experience. The company is engaged in the manufacture of transformers and is also into construction and commissioning of high power transmission lines and sub-stations for SPU's.

For FY2015-16, ATPL reported profit after tax (PAT) of Rs.0.04 crore on operating income of Rs.30.02 crore as compared with net loss of Rs.1.91 crore on operating income of Rs.20.30 crore for FY2014-15. The net worth stands at Rs.6.06 crore as on March 31, 2016 as compared with Rs.6.02 crore a year earlier.

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### ABOUT SMERA

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