

Press Release

Anand Transformers Private Limited (ATPL)



22 February, 2018

Rating Reaffirmed

| | |
|-------------------------------------|----------------------------------------|
| Total Bank Facilities Rated* | Rs.21.70 Cr. |
| Long Term Rating | SMERA BB-/Outlook: Stable (Reaffirmed) |
| Short Term Rating | SMERA A4+ (Reaffirmed) |

** Refer Annexure for details*

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA BB-**' (**read as SMERA double B minus**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs.21.70 crore bank facilities of Anand Transformers Private Limited. The outlook is '**Stable**'.

Anand Transformers Private Limited (ATPL), incorporated in 1988, is a Lucknow (Uttar Pradesh) based company engaged in the manufacture and repair of power transformers. The company started development of electrical infrastructure such as substations, transmission and distribution lines through joint venture 'Infrastructure Development' from FY2016 onwards. Infrastructure Development is a 47:53 joint venture between ATPL and Navjeet Industries. Navjeet Industries is a Kanpur (Uttar Pradesh) based company engaged in the manufacture of transformers.

Key rating drivers

Strengths

Experienced management, long track record of operations: ATPL was incorporated in 1988 by S. N. Agarwal (Managing Director). The promoter has almost three decades of experience in the electrical industry.

Healthy order book position: The company supplies power transformers and also executes infrastructure development contracts for government organisations based out of Uttar Pradesh such as Paschimanchal Vidyut Vitaran Nigam Limited (PVVNL), Madhyanchal Vidyut Vitaran Nigam Limited (MVVNL), Dakshinanchal Vidyut Vitran Nigam Limited (DVVNL) among others. The company has order book of Rs.30.09 crore as on 31 January, 2018 providing revenue visibility over the medium term. The entity also generated revenue of Rs.23.75 crore from April 2017 to December 2017 (Provisional).

Weaknesses

Average financial risk profile: The average financial risk profile is marked by moderate net worth levels, moderate gearing and modest debt protection measures. The net worth levels of

the entity stood at Rs.6.25 crore as on 31 March, 2017 as compared to Rs.6.06 crore in the previous year. The gearing levels increased to 1.56 times in FY2017 as compared to 0.89 times in FY2016 due to increase in utilisation of working capital limits. The entity has short term debt of Rs.9.53 crore and long term debt of Rs.0.24 crore as on March 31, 2017. The interest coverage levels increased to 1.35 times in FY2017 from 1.27 times in FY2016. The net cash accruals to total debt (NCA/TD) stood at 0.04 times in FY2017.

Working capital intensive operations: The entity has intense working capital requirements, as reflected in the high Gross Current Assets (GCA) of 396 days as on 31 March, 2017 compared to 257 days as on 31 March, 2016 due to increase in debtor levels. Debtor days in FY2017 increased to 265 compared to 146 in FY2016 due to delay in payments from government organisations for projects executed. Inventory days stood at 71 days in FY2017 as compared to 83 days in FY2016.

Tender based business: The company deals mainly with government organisations which provide orders on tender basis. Going forward, the company's ability to bid for large orders and qualify for the same remains to be seen. However, the promoter's ability to cater to private companies in addition to government organisations will partially mitigate this risk.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of ATPL.

Outlook: Stable

SMERA believes that the outlook of ATPL will remain Stable over the medium term owing to its experienced promoters. The outlook may be revised to 'Positive' if the company achieves more than expected revenue growth and improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of lower than expected revenues and or deterioration in the capital structure.

About the rated entity Financials

| | Unit | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 22.99 | 30.02 | 20.30 |
| EBITDA | Rs. Cr. | 0.98 | 1.16 | 0.03 |
| PAT | Rs. Cr. | 0.19 | 0.04 | -1.91 |
| EBITDA Margin (%) | (%) | 4.26 | 3.85 | 0.12 |
| PAT Margin (%) | (%) | 0.83 | 0.14 | -9.42 |
| ROCE (%) | (%) | 9.22 | 10.55 | -0.16 |
| Total Debt/Tangible Net Worth | Times | 1.56 | 0.89 | 0.83 |
| PBDIT/Interest | Times | 1.35 | 1.27 | 0.10 |
| Total Debt/PBDIT | Times | 6.81 | 4.00 | 27.03 |
| Gross Current Assets (Days) | Days | 396 | 257 | 272 |

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Crore) | Ratings/Outlook |
|--------------|---------------------------------|------------|--------------------|-----------------------------|
| 28-Dec, 2016 | Cash Credit | Long Term | 2.50 | SMERA BB-/Stable (Assigned) |
| | Overdraft Bills Discounting | Long Term | 8.00 | SMERA BB-/Stable (Assigned) |
| | Letter of Credit | Short Term | 5.00 | SMERA A4+ (Assigned) |
| | Bank Guarantee | Short Term | 6.20 | SMERA A4+ (Assigned) |

***Annexure – Details of instruments rated**

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Crore) | Ratings/Outlook |
|------------------------|------------------|----------------|----------------|-------------------------------|--------------------------------|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 2.00 | SMERA BB- /Stable (Reaffirmed) |
| Overdraft | Not Applicable | Not Applicable | Not Applicable | 9.00 | SMERA BB- /Stable (Reaffirmed) |
| Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 4.00 | SMERA A4+ (Reaffirmed) |
| Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 6.70 | SMERA A4+ (Reaffirmed) |

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ABOUT SMERA

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