

Press Release

Anand Transformers Private Limited (ATPL)

08 March, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.29.20Cr.
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 to '**SMERA BB-**' (read as **SMERA BB minus**) and the short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.29.20 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 and 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 nature of 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 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.smerra.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.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
22-Feb-2018	Cash Credit	Long Term	2.00	SMERA BB-/Stable (Reaffirmed)
	Bills Discounting	Long Term	9.00	SMERA BB-/Stable (Reaffirmed)
	Letter of Credit	Short Term	4.00	SMERA A4+ (Reaffirmed)
	Bank Guarantee	Short Term	6.70	SMERA A4+ (Reaffirmed)
28-Dec-2016	Cash Credit	Long Term	2.50	SMERA BB-/Stable (Assigned)
	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
CashCredit	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)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	7.30	SMERA A4+ (Assigned)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.20	SMERA A4+ (Assigned)

Contacts:

Analytical	Rating Desk
Suman Chowdhury President – SMERA Bond Ratings Tel: +91-22-6714 1107 Email: suman.chowdhury@smera.in	VarshaBist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Sethu Madhav Putti Rating Analyst Tel: +91-22-6714 1128 Email: sethu.madhav@smera.in	

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer

and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.