

Alfa Transformers Limited

September 25, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	3.35	CARE BB-; Stable; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	10.96	CARE A4; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Alfa Transformers Limited to monitor the rating(s) vide e-mail communications/letters dated July 18, 2024, September 02, 2024, September 04, 2024 and September 09, 2024, among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. Further, Alfa Transformers Limited has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on Alfa Transformers Limited's bank facilities will now be denoted as **CARE BB-; 'Stable'/CARE A4; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings assigned to the bank facilities of Alfa Transformers Limited is constrained by small scale of operation and leveraged capital structure; albeit improvement in FY23 and H1FY24, exposure to volatility in raw material prices and competitive nature of industry coupled with business risk associated with tender-based orders. However, the ratings derive strength from experienced management with long track record of operation, moderate order book position and reputed clientele.

Detailed description of the key rating drivers: At the time of last rating on January 04, 2024 the following were the rating strengths and weaknesses (updated for the information available from BSE).

Key Weaknesses

Small scale of operation and leveraged capital structure; albeit improvement in FY23 and Q1FY24: The scale of operations of the company witnessed improvement in FY24 marked by an increase in TOI and PAT of Rs. 50.97 crore and Rs.7.63 crore in FY24 vis-à-vis TOI and PAT of Rs.29.05 crore and Rs. 1.01 crore in FY23, respectively. In Q1FY25, the company reported TOI of Rs.8.12 crore and loss of Rs. 0.25 crore.

The capital structure of the company improved in FY24 on account of improvement in networth to Rs. 9.51 crores from Rs.1.30 crore in FY23 attributable to accretion of profit to reserve along with and largely stable total debt level. Accordingly, the overall gearing stood at 0.98x as on March 31, 2024 vis-a- from 5.98x as on March 31, 2023.

In Q1FY25, the company incurred loss of Rs.0.25 crore on total operating income of Rs.8.12 crore.

Exposure to volatility in raw material prices: The company is engaged in the manufacturing of electrical equipment like power transformers. The major raw materials required for the same are copper, aluminum, cold rolled grain-oriented insulation materials, resistance materials and other steel materials, the prices of which are volatile and may affect the company's margins.

Competitive nature of industry coupled with business risk associated with tender-based orders: ATL faces direct competition from various organized and unorganized players in the market. The company majorly undertakes contracts from government departments and corporates, which are awarded through the tender-based system. This exposes the company towards risk associated with the tender-based business, which is characterized by intense competition. Moreover, any changes in the government policy or their spending on projects are likely to affect the revenues of the company.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Key Strengths

Experienced management with long track record of operations: ATL is engaged in manufacturing of small distribution transformers and offers related technical assistance and services, including repair work since 1982 and thus having more than three decades of track record of operations during which it has acquired technologies to manufacture specialised transformers such as furnace, stabilised output, single-phase, and amorphous metal alloy transformers.

Moderate order book position: The order book position of the stood at Rs. 20.71 crore as on September 30, 2023 as against Rs.43 crore as on August 30, 2023, which will lead to revenue visibility in the near term.

Reputed clientele: Over the years, ATL has established a good relationship with its customers and has reputed clienteles' portfolio from public and private sector.

Analytical approach: Standalone

Outlook: Stable

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Electrical Equipment	Heavy Electrical Equipment

Odisha based Alfa Transformers Limited (ATL) was incorporated in the year 1982 was set up by Mr. D.K. Das. Since its inception, the company manufactures small distribution transformers and offers related technical assistance and services, including repair work. The company executes EPC orders (for electrical installations) on behalf of various public sector entities like Odisha Power Transportation Company Limited (OPTCL) and Paschim Gujrat Vij Company Limited (PGVCL) and Gupta Power Infrastructure Limited (GPIL). The company has two manufacturing units located at Bhubaneswar and Vadodara.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY25 (UA)
Total operating income	29.05	50.97	8.12
PBILDT	2.64	3.60	NA
PAT	1.01	7.63	-0.25
Overall gearing (times)	5.98	0.98	NA
Interest coverage (times)	2.21	2.50	NA

A: Audited UA: Unaudited; NA: Not Available, Note: these are latest available financial results

Status of non-cooperation with previous CRA: CRISIL C/CRISIL A4; 'Issuer Not Cooperating' vide Press Release dated July 29, 2024

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	3.34	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	Already repaid^	0.01	CARE BB-; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantee		-	-	-	7.96	CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - ST-Letter of credit		-	-	-	3.00	CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information; ^Already repaid, NDC not yet received

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	3.34	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (04-Jan-24) 2)CARE BB-; Stable (07-Sep-23)	1)CARE B-; Stable (06-Mar-23) 2)CARE D (02-Jun-22) 3)CARE B-; Stable (01-Apr-22)	1)CARE B-; Stable (09-Jul-21)
2	Fund-based - LT-Term Loan	LT	0.01	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (04-Jan-24) 2)CARE BB-; Stable (07-Sep-23)	1)CARE B-; Stable (06-Mar-23) 2)CARE D (02-Jun-22) 3)CARE B-; Stable	1)CARE B-; Stable (09-Jul-21)

							(01-Apr-22)	
3	Non-fund-based - ST-Bank Guarantee	ST	7.96	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (04-Jan-24) 2)CARE A4 (07-Sep-23)	1)CARE A4 (06-Mar-23) 2)CARE D (02-Jun-22) 3)CARE A4 (01-Apr-22)	1)CARE A4 (09-Jul-21)
4	Non-fund-based - ST-Letter of credit	ST	3.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (04-Jan-24) 2)CARE A4 (07-Sep-23)	1)CARE A4 (06-Mar-23) 2)CARE D (02-Jun-22) 3)CARE A4 (01-Apr-22)	1)CARE A4 (09-Jul-21)

*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple
4	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Annexure-6: List of entities consolidated: Not Applicable

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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