Advance Metering Technology Limited

April 28, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	3	**CARE BB; Stable (Double B; Outlook: Stable)**	Assigned
Short-term Bank Facilities	4	**CARE A4 (A Four)**	Assigned
Long/Short-term Bank Facilities	2	**CARE BB; Stable/ CARE A4 (Double B; Outlook: Stable/ A Four)**	Assigned
Total Facilities	**9 [Rupees Nine crore only]**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Advance Metering Technology Limited (AMTL), are constrained by the company's small scale of operations and its stressed debt coverage metrics attributable to the net losses. The ratings are also constrained due to the company's working capital intensive nature of operations with delays in payments from the counterparty for its wind power plant and its presence in a competitive industry. However, the ratings derive strength from the experienced promoters and comfortable gearing of the company attributable to its strong net worth.

Going forward, the ability of the company to scale up its operations and report profits on a sustained basis, timely collect dues for wind power plant and maintain gearing will remain the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters: AMTL is controlled by Ranade family with its members being the directors in the company. Mr Pranav Kumar Ranade, the Managing Director of AMTL, is a post graduate by qualification and has more than four decades of experience in similar line of operations which includes manufacturing of switchgears, meters etc. Mr Vikram Ranade and Mr Prashant Ranade have also done post graduate and have an experience of around a decade through their association with this entity.

Comfortable gearing on account of strong however, declining net worth: The company had a strong net-worth of Rs.137.65 crore as on March 31, 2016, due to the large consideration amount received by it pursuant to the sale of switchgear business in the past. The company's overall gearing deteriorated marginally but stood comfortable at 0.36x as on March 31, 2016, (PY: 0.32x) on account of net loss in the company eroding the net worth coupled with increase in debt levels. The debt coverage indicators of the company remain stressed marked by negative interest coverage ratio of -0.25x in FY16 (PY: -0.87x) and debt/GCA of -15.35x as on March 31, 2016 (PY: -35.30x) on account of cash losses in the company.

Key Rating Weaknesses

Small scale and loss making operations: AMTL operates 3 wind mills located in the Jaisalmer district of Rajasthan with a total capacity of 11.7 MW since 2012 with major customers for wind energy being the Rajasthan Discom Power Procurement centre (Suzlon, Gamesa) and IRDA, New Delhi. The Capacity Utilization Factor (CUF) in FY16 (refers to the period April 1 to March 31) deteriorated to around 14% (PY: 17%) due to unfavourable climatic conditions. However, it improved and stood at 20% for the period from April 2016 - November 2016. The scale of operations of AMTL has remained small marked by a total operating income of Rs.26.73 crore during FY16 (PY: 19.54 crore) despite the growth reported by the company in the past. The company has been in operating losses in the past 3 years (FY14 – FY16) on account of high fixed costs. Its operating losses reduced to -4.9% in FY16 (PY: -21%) largely due to increase in scale of operations. The company is now focusing on backward integration wherein the company manufactures the components itself. The company registered net sales of Rs.16.17 crore in H1FY17 (refers to the period April 1 to September 30) with a PBILDT of Rs.2.65 crore and PAT of Rs.0.37 crore.

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

Working capital intensive nature of operations: The operations of the company are working capital intensive marked by elongated operating cycle of 130 days during FY16 (PY: 110 days). The company held average inventory of 88 days as on March 31, 2016 (PY: 85 days) mainly in form of raw material for smooth running of production processes. The company faces delays in payments for its wind power plant resulting in an elongated collection period of 99 days during FY16 (PY: 87 days). The company enjoyed an average payable period of 57 days in FY16 (PY: 62 days). The company's working capital limits remains moderately utilized with 79.42% utilization for the period from January to November 2016.

Intense competition in the industry: Though the demand prospects in transmission and distribution of power industry are favourable given Government of India's initiatives like Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY), the company remains exposed to the competitive pressure from other established players. Furthermore, this industry is fragmented with large number of small and medium scale players which has a bearing on the margins of the entities operating in the industry.

Analytical approach: Standalone

Applicable Criteria
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Rating Methodology-Manufacturing Companies
Financial ratios - Non-Financial Sector

About the Company
AMTL was incorporated in 2011 as a resulting company pursuant to the demerger of 'Eon Electric Limited (EEL, formerly Indo Asian Fusegear Limited). AMTL is currently engaged in the manufacturing of electric meters, wind power generation, energy audit, plastics components for meters and other electrical and electronic products. AMTL has three subsidiaries namely PKR Energy Limited, Global Power Trading PTE Limited, Singapore and Advance Power and Trading Gmbh, Germany in which there are no major operations. AMTL also operates 3 wind mill power projects (set-up by Suzlon and Gamesa) located in Jaisalmer district in Rajasthan with a total capacity of 11.7 MW which has been operational since 2012. During FY16, the company registered sales of Rs.8.52 crore from power generation and Rs.19.28 crore from meters.

During FY15, the company reported total operating income of Rs.19.54 crore with net losses of Rs.5.56 crore and in FY16, the company has reported total operating income of Rs.26.73 crore with net losses of Rs.5.52 crore. During H1FY17 (provisional), the company has registered net sales of Rs.16.17 crore with a PBILDT of Rs.2.65 crore and a PAT of Rs.0.37 crore.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	3	CARE BB; Stable
Non-fund-based - LT/ ST-Bank Guarantees	-	-	-	2	CARE BB; Stable / CARE A4
Non-fund-based - ST-Letter of credit	-	-	-	4	CARE A4

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	3	CARE BB; Stable	-	-	-	-
2.	Non-fund-based - LT/ ST-Bank Guarantees	LT/ST	2	CARE BB; Stable / CARE A4	-	-	-	-
3.	Non-fund-based - ST-Letter of credit	ST	4	CARE A4	-	-	-	-

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