Advance Metering Technology Limited

June 07, 2019

Ratings

S. No.	Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
I	Long-term Bank Facilities (Proposed Term Loan)@	35.00	**Provisional CARE BBB-; Stable (Provisional Triple B Minus; Outlook: Stable)**	**Reaffirmed**
II	Long-term Bank Facilities	5.00 (Enhanced from 3.00)	**CARE BBB-; Stable (Triple B Minus; Outlook: Stable)**	**Reaffirmed**
III	Long/ Short-term Bank Facilities	8.50 (Enhanced from 6.00)	**CARE BBB-; Stable/ CARE A3 (Triple B Minus; Outlook: Stable/ A Three)**	**Reaffirmed**
	Total	**48.50 (Rs. Forty eight crore and fifty lakh only)**		

Details of instruments/facilities in Annexure-1

@The above rating (I) is based on the strength of the proposed transaction structure which stipulates maintenance of debt service reserve account equivalent to 9 months of debt servicing and routing of all receivables from wind assets through the escrow account, the funds from which, would be utilized in accordance with the stipulated waterfall mechanism mentioned below. The rating for the proposed term loan is provisional and would be confirmed subject to the adherence of the proposed transaction structure.

Waterfall mechanism:

1. Payment of all operations & maintenance expenses
2. Payment for availing insurance (capped at maximum of 0.30% of gross fixed assets).
3. Payment to the lender which includes principal repayment, interest servicing and other dues, if any.
4. Make up for the shortfalls in DSRA, if any
5. Withdrawal of excess cash, if any with the consent of the lenders

Detailed Rationale& Key Rating Drivers

The ratings assigned to the bank facilities of Advance Metering Technology Limited (AMTL) continue to derive strength from the experienced promoters and comfortable gearing of the company attributable to its strong net worth. The ratings also take into cognizance of the long term fixed price PPAs with Jodhpur Vidyut Vitran Nigam Limited (JoVVNL) and Ajmer Vidyut Vitran Nigam Limited (AVVNL) and improved payment track record from DISCOMs. The ratings also factor in strong transaction structure for the proposed term loan, favorable prospects of renewable power sector in India and improvement in operational performance of the company. The rating is, however, constrained due to the company's working capital intensive nature of operations, its presence in a competitive industry, vulnerability of the operational performance of wind mills to climatic conditions and grid availability.

Going forward, achievement of desired energy generation levels, timely receipt of payments from the off-taker and AMTL's ability to continue improvement in its operational performance and maintain a comfortable gearing shall be the key rating sensitivities.

Detailed Rationale & 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. The experience of the promoters is expected to benefit the company in the long run.

Comfortable gearing on account of strong net worth: The company had a strong net-worth of Rs. 130.47 crore as on March 31, 2019, due to the large consideration amount received by it pursuant to the sale of switchgear business in the past. The company's overall gearing stood comfortable though moderated marginally at 0.63x as on March 31, 2019, (PY: 0.57x) on account of increase in outstanding working capital borrowings.

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

Improvement in payment track record from off-taker: Subsequent to the commencement of the commercial operations of the wind projects, AMTL was facing delayed payments from the power off-taker due to stressed liquidity position of the latter. However, pursuant to Rajasthan DISCOMs joining UDAY, the payment track record has improved substantially and AMTL has recovered all its arrears and there are regular payments now. The same is evident by decrease in collection period from 124 days in FY18 to 76 days in FY19.

Strong transaction structure for the proposed term loan: The proposed term loan would be availed by way of securitizing receivables from its operational wind assets located in Jaisalmer, Rajasthan. The cash flows from the wind assets would be routed through an escrow account to be maintained by the lender. A DSRA equivalent to 9 months payment of interest and principal will also be created. The operation & maintenance expenses will be paid first from the escrow account followed by expenses for insurance and then debt servicing and makeup for DSRA shortfall. The company can then withdraw the excess cash, if any with the approval of the lender.

Long-term fixed price PPAs: AMTL is selling power under a 25 years' PPA with AVVNL at a tariff of Rs. 5.18 per unit and a 20 and 25 years' PPA with JoVVNL at a tariff of Rs. 4.46 per unit and Rs. 5.18 per unit respectively, which provides long-term revenue visibility.

Modest operational performance: Total operating income of the company increased to Rs 91.48 crore in FY19 (refer to period: April 01 to March 31) (PY: 43.75 crore) on account of increase in revenue from sale of meters. The PBILDT margin also improved to 14.32% in FY19 (PY: 5.13%) due to spread of fixed cost over large number of units sold. Also, the company reported net profit of Rs 1.18 crore during FY19 (PY: Loss of Rs 7.15 crore).

Key Rating Weaknesses

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 Power for All, Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY), SAUBHAGYA etc., the smaller companies 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.

Dependence on seasonal wind patterns for power generation: Wind farms are exposed to inherent risk of climate fluctuations leading to variations in the wind patterns which affects the CUF.

Liquidity: The operations of the company improved and stood moderate marked by operating cycle of 41 days during FY19 (PY: 95 days).The improvement in working capital operations was on account of decrease in collection period from 124 days in FY18 to 76 days in FY19 due to faster realization of receivables. The liquidity position of the company is further strengthened by free cash of Rs 1.85 crore (PY: Rs 0.71 crore). However, the company's working capital limits utilization remains high at 80% for the trailing 12 months period ended May, 2019.

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
Care methodology – Private Power Producers

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 FY19, the company registered sales of Rs.8.90 crore from power generation and Rs.78.52 crore from meters.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	43.75	91.48
PBILDT	2.25	13.10
PAT	-7.15	1.18
Overall gearing (times)	0.57	0.63
Interest coverage (times)	0.37	1.70

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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	-	-	-	5.00	CARE BBB-; Stable
Non-fund-based - LT/ ST-BG/LC	-	-	-	8.50	CARE BBB- / CARE A3
Fund-based - LT-Term Loan	-	-	-	35.00	Provisional CARE BBB-; Stable

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	5.00	CARE BBB-; Stable	1)CARE BBB-; Stable (04-Apr-19)	-	1)CARE BBB-; Stable (29-Nov-17) 2)CARE BB; Stable (28-Apr-17)	-
2.	Non-fund-based - LT/ ST-BG/LC	LT/ST	8.50	CARE BBB- / CARE A3	1)CARE BBB-; Stable / CARE A3 (04-Apr-19)	-	1)CARE BBB-; Stable / CARE A3 (29-Nov-17) 2)CARE BB; Stable / CARE A4 (28-Apr-17)	-
3.	Non-fund-based - ST-Letter of credit	-	-	-	1)CARE A3 (04-Apr-19)	-	1)CARE A3 (29-Nov-17) 2)CARE A4 (28-Apr-17)	-
4.	Fund-based - LT-Term Loan	LT	35.00	Provisional CARE BBB-; Stable	1)Provisional CARE BBB-; Stable (04-Apr-19)	-	1)Provisional CARE BBB-; Stable (29-Nov-17)	-

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.*

Contact us

Media Contact
Name-Mr. Mradul Mishra
Contact no. – +91-22-6837 4424
Email ID – mradul.mishra@careratings.com

Analyst Contact
Name- Mr. Ajay Dhaka
Contact no. - +91-11-45333218
Email ID- ajay.dhaka@careratings.com

Business Development Contact
Name- Ms. Swati Agarwal
Contact no. : +91-11-45333200
Email ID: swati.agarwal@careratings.com

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