Advance Metering Technology Limited

November 29, 2017

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)**	**Assigned**
II	Long-term Bank Facilities	3.00	**CARE BBB-; Stable (Triple B Minus; Outlook: Stable)**	**Revised from CARE BB; Stable (Double B; Outlook: Stable)**
III	Short-term Bank Facilities	4.00	**CARE A3 (A Three)**	**Revised from CARE A4 (A Four)**
IV	Long/ Short-term Bank Facilities	2.00	**CARE BBB-; Stable/ CARE A3 (Triple B Minus; Outlook: Stable/ A Three)**	**Revised from CARE BB; Stable/ CARE A4 (Double B; Outlook: Stable/ A Four)**
	Total Facilities	**44.00 (Rs. Forty four crore 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

Withdrawal of excess cash, if any with the consent of the lenders

Detailed Rationale& Key Rating Drivers

The rating assigned to the bank facilities of Advance Metering Technology Limited (AMTL) derive strength from the experienced promoters, comfortable gearing of the company attributable to its strong net worth and healthy liquidity position. The ratings also take into cognizance the steady operational track record of more than 4 years for the wind assets, 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 rating also factor in strong transaction structure, favourable prospects of renewable power sector in India and AMTL's comfortable capital structure as well as liquidity position. The rating is, however, constrained due to the company's subdued operational performance in the past with net losses, working capital intensive nature of operations, its presence in a competitive industry, vulnerability of the operational performance 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 report turnaround in its operational performance and maintain a comfortable gearing shall be the key rating sensitivities.

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

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. 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. 134.20 crore as on March 31, 2017, 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 0.41x as on March 31, 2017, (PY: 0.36x) on account of net loss in the company eroding the net worth coupled with increase in outstanding working capital borrowings.

Steady operational track record of wind project:The wind project achieved COD in phases and the complete project became operational in February 2013 and has long operational track record of more than 4 years. Average CUF for FY17 (refers to the period April 1 to March 31) has improved to 16% from 14% in FY16. Nevertheless, the project has a long operational track record with satisfactory performance.

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.

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 made 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.

Key Rating Weaknesses

Small scale and loss making operations: The scale of operations of AMTL has remained small marked by a total operating income of Rs.38.66 crore during FY17 (PY: 30.10 crore) despite the growth reported by the company in the past. The company has been in losses in the past 3 years (FY14 – FY16) on account of high fixed costs. However, its continuous attempts to decrease the costs and increase scale of operations has helped AMTL to reduce the losses. At net level, the company reported a loss of Rs. 2.85 crore in FY17 (PY: loss of Rs. 5.52 crore).

Working capital intensive nature of operations: The operations of the company are working capital intensive marked by a long operating cycle of 117 days during FY17 (PY: 130 days). The company held average inventory of 79 days as on March 31, 2017 (PY: 88 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 110 days during FY17 (PY: 99 days). The company enjoyed an average payable period of 72 days in FY17 (PY: 57 days). The company's working capital limits utilization remains moderate at 73% for the trailing 12 months period ended September 2017.

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.

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.

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 FY17, the company registered sales of Rs.9.98 crore from power generation and Rs.24.54 crore from meters.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	30.10	38.66
PBILDT	2.06	7.00
PAT	-5.52	-2.85
Overall gearing (times)	0.36	0.41
Interest coverage (times)	0.39	1.32

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

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.*

Analyst Contact:
Name: Mr. Ajay Dhaka
Tel: 011-45333218
Mobile: 8826868795
Email: ajay.dhaka@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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	-	-	-	3.00	CARE BBB-; Stable
Non-fund-based - LT/ ST-Bank Guarantees	-	-	-	2.00	CARE BBB-; Stable / CARE A3
Non-fund-based - ST-Letter of credit	-	-	-	4.00	CARE A3
Fund-based - LT-Term Loan	-	-	September 2031	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 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	3.00	CARE BBB-; Stable	1)CARE BB; Stable (28-Apr-17)	-	-	-
2.	Non-fund-based - LT/ ST-Bank Guarantees	LT/ST	2.00	CARE BBB-; Stable / CARE A3	1)CARE BB; Stable / CARE A4 (28-Apr-17)	-	-	-
3.	Non-fund-based - ST-Letter of credit	ST	4.00	CARE A3	1)CARE A4 (28-Apr-17)	-	-	-
4.	Fund-based - LT-Term Loan	LT	35.00	Provisional CARE BBB-; Stable	-	-	-	-

CONTACT

Head Office Mumbai

Ms. Meenal Sikchi
Cell: + 9198190 09839
E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
Cell: + 9198196 98985
E-mail: ankur.sachdeva@careratings.com

Ms.Rashmi Narvankar
Cell: + 9199675 70636
E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
Cell: + 9198209 98779
E-mail: saikat.roy@careratings.com

CARE Ratings Limited

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Deepak Prajapati
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

BENGALURU
Mr. V Pradeep Kumar
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91 98407 54521
Tel: +91-80-4115 0445, 4165 4529
Email: pradeep.kumar@careratings.com

CHANDIGARH
Mr. Anand Jha
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 85111-53511/99251-42264
Tel: +91-0172-490-4000/01
Email: anand.jha@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR
Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr.Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail:pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691