

Advance Metering Technology Limited

August 20, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities (Proposed Term Loan)@	-	-	Withdrawn
Long-term Bank Facilities	5.00	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Revised from CARE BBB-; Stable(Triple B Minus; Outlook: Stable)
Long/ Short-term Bank Facilities	8.50	CARE BB+; Stable/ CARE A4+ (Double B Plus; Outlook: Stable/ A Four Plus)	Revised from CARE BBB-; Stable/ CARE A3 (Triple B Minus; Outlook: Stable/ A Three)
Total	13.50 (Rs. Thirteen crore and fifty lakh only)		

Details of instruments/facilities in Annexure-1

@CARE has withdrawn the proposed rating assigned to the long-term bank facilities as the loan was not availed against the rating and based on management's request for withdrawal

Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to the bank facilities of Advance Metering Technology Limited (AMTL) factors in company's subdued operational performance marked by decline in total income and net losses reported by it and its stretched liquidity position reflected by high utilization of working capital limits. The ratings continue to be constrained by vulnerability of the operational performance of wind mills to climatic conditions and grid availability and its presence in a competitive industry. However, the ratings 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).

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

Detailed Rationale & Key Rating Drivers

Key Rating Weaknesses

Subdued operational performance: Total operating income of the company decreased to Rs 9.17 crore in Q1FY20 (refer to period: April 01 to June 30) (PY: 17.59 crore) on account of decrease in revenue from sale of meters as well as lower power generation. The PBILDT margin also deteriorated to 2.73% in Q1FY20 (PY: 15.63%) due to high amount of fixed cost. As a result, the company reported net loss of Rs 3.35 crore during Q1FY20 (PY: Profit of Rs 0.05 crore). Notably, AMPL had reported net losses during Q4FY19 also.

Working capital intensive nature of operations: The company is facing significant delays in realization of dues from Rajasthan DISCOMs for its wind power business thereby adversely impacting its liquidity position. However, the operating cycle of the company stood moderate at 41 days during FY19 (PY: 95 days). The average collection period stood at 76 days in FY19 (PY: 124 days).

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.

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

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.

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.

Stretched liquidity position: The company's working capital limits utilization remains fully utilized with frequent use of ad-hoc limits. The liquidity position of the company is further weakened by low free cash of Rs 0.53 crore as on June 30, 2019 (As on March 31, 2019: Rs 0.82 crore).

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook and credit watch](#)

[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

Covenants of rated facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

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 BB+; Stable
Non-fund-based - LT/ ST-BG/LC	-	-	-	8.50	CARE BB+; Stable / CARE A4+
Fund-based - LT-Term Loan	-	-	-	0.00	Withdrawn

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 BB+; Stable	1)CARE BBB-; Stable (07-Jun-19) 2)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 BB+; Stable / CARE A4+	1)CARE BBB- / CARE A3 (07-Jun-19) 2)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	-	-	1)Provisional CARE BBB-; Stable (07-Jun-19) 2)Provisional CARE BBB-; Stable (04-Apr-19)	-	1)Provisional CARE BBB-; Stable (29-Nov-17)	-

Annexure-3: NA

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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About CARE Ratings:

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