

Rating Rationale

Analogics Tech India Limited (ATIL)

31 October 2017

Brickwork Ratings reaffirms ‘BWR BB/ A4+’ for the bank loan facilities of Rs 102.72 Crs of Analogics Tech India Limited (‘ATIL’ or the ‘Company’)

Particulars:

Facilities Rated#	Amount (Rs Crs)	Amount (Rs Crs)	Tenure	Rating ¹	
	Previous	Present #		Previous [July 2016]	Present
Fund based:					
Open Cash Credit	18.00	24.00	Long term	BWR BB (Pronounced BWR Double B) [Outlook: Stable]	BWR BB (Pronounced BWR Double B) [Outlook: Stable] Reaffirmed
OCC (Adhoc limit)	3.60	-			
Term Loans	1.73	46.22			
Proposed Term Loan	0.90	-			
Proposed Open Cash Credit	5.00	-			
Non Fund based:					
BG (Inland/ Foreign)	20.00	25.00	Short term	BWR A4+ [Pronounced BWR A Four Plus]	BWR A4+ [Pronounced BWR A Four Plus] Reaffirmed
LC (Inland/ Foreign)/ Buyer’s credit	7.50	7.50			
Total	56.73	102.72	INR One Hundred and Two Crores and Seventy Two Lakhs Only		

#Annexure I shows details of bank loan facilities

¹For definitions of the rating symbol please visit our website www.brickworkratings.com

Ratings Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financials upto FY17, provisional financials for H1FY18, publicly available information and information / clarifications provided by the Company’s management.

The ratings reaffirmation continue to factor the experienced management, established track record of business operations, healthy order book giving revenue visibility in the medium term and the established clientele especially state power utilities. The ratings are, however constrained by the moderate scale of business operations, high receivables leading to stretched working capital cycle and tight liquidity and intensely competitive and fragmented industry.

Going forward, the ability of the Company to increase its scale of operations profitably, strengthen its liquidity position by improving its collections efficiency and manage its working capital effectively would be the key rating sensitivities.

Rating Outlook: Stable

BWR believes **Analogs Tech India Limited's** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

Key rating drivers

Satisfactory track record and experienced Management: ATIL has an operational track record of more than two decades. The management has extensive experience in the electronics manufacturing business, which has also enabled the Company to get repeat orders from Govt. clients.

Established relations with customers and suppliers- The Company has established relationships with various Government clients especially state power utilities. Order book is healthy at ~Rs 151 Crs for execution over the next 8-10 months.

Moderate financial performance- The overall financial performance of the Company is moderate as seen in average profitability margins and moderate debt protection metrics & gearing levels. PAT and operating margins were modest at 2.45% and 9.84% respectively for FY17. ISCR and DSCR ratios were adequate at 2.08 times and 1.27 times respectively for FY17. Total debt/ tangible net worth stood at 1.59 times as on March 31 2017.

High working capital intensity of the business owing to stretched receivables position- The Company's working capital cycle was stretched at 121 days in FY17 owing to high receivable and inventory days. Receivables were stretched at 195 days as on March 31 2017 mainly because of delayed receivables from Government customers.

Volatile raw material prices in highly fragmented and intensely competitive industry- The Company is exposed to volatility in raw material prices, as most of the raw materials are imported. This in turn places pressure on margins and turnover. The electronics manufacturing sector is also known to be highly fragmented with the presence of large number of both organized and unorganized players resulting in intense competition.

Analytical approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

About the Company

Incorporated on 10th November 1994 at Hyderabad, Analogics Tech India Ltd (ATIL) is engaged in the manufacturing & supplying of hand held computers to various power distribution companies for billing applications. The Company supplies Billing Applications, Wireless data communication and Power Distribution Automation products to the various power utilities across the country and abroad. Sale of products contributed 92% of the company’s sales in FY17 followed by sale of services (8%). The Company is ISO 9001:2008 certified. The Company caters majorly to Govt. enterprises (95% of contribution to total sales) followed by private parties (5%).

Hyderabad based Analogics Group comprises three business entities- Analogics Tech India Ltd, C2P Engineering Solutions Pvt. Ltd (engaged in manufacturing of mould and plastic components, ribbon, cartridges, aluminum profiles, aluminum working tables etc) and Secure Data Products Ltd (engaged in after sale services for the group).

Mr. M Surender Reddy is the Managing Director. Mr. B Maruthy, Ms. Vinita Bhati and Mr. D. Prashanth are the Directors.

Financial Performance

Revenue from operations improved to Rs 105.58 Crs in FY17 from Rs 92.20 Crs in FY16 driven by healthy order book. Profit after tax declined to Rs 2.59 Crs in FY17 from Rs 4.08 Crs in FY16 mainly due to higher depreciation charges and increase in operating expenses on account of higher material costs. Net worth improved to Rs 40.55 Crs as on 31st March 2017 when compared to Rs 37.82 Crs as on March 31 2016. Total outstanding Debt was Rs 64.44 Crs as on March 31, 2017. Total debt/ tangible net worth stood at 1.59 times as on March 31, 2017. ISCR and DSCR were adequate at 2.08 times and 1.27 times respectively for FY17. Total Receivables stood at Rs 56.84 Crs as on March 31 2017. On a provisional basis, the Company has reported revenue from operations of ~ Rs 108 Crs for H1FY18. The key financial indicators are summarized in Annexure II.

Status of non-cooperation with other CRA: India Ratings and Research has withdrawn Analogics Tech India Limited’s (ATIL) bank loan rating vide press release dated 29th Dec 2016 due to lack of adequate information.

Any other information: Not Applicable.

Rating History for the last three years:

Sl. No.	Instrument/ Facility	Current Rating (2017)			Rating History		
		Tenure	Amount (Rs Crs)	Rating	20 th July 2016*	2015	2014
1	Fund based Limits	Long term	70.22	BWR BB (Stable) Reaffirmed	BWR BB (Stable) Assigned	-	-
2.	Non Fund based Limits	Short term	32.50	BWR A4+ Reaffirmed	BWR A4+ Assigned	-	-
	Total		102.72	INR One Hundred and Two Crores and Seventy Two Lakhs Only			

* Amount rated: Rs 56.73 Crs

Hyperlink/Reference to applicable Rating Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Short Term Debt](#)
- [Manufacturing Companies](#)

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Analogics Tech India Ltd (ATIL)

Annexure I: Details of the bank facilities rated

Facilities Rated#	Bank Name	Amount (Rs Crs)	
		Previous (July 2016)	Present Rated Limits
Fund based:			
Open Cash Credit	Andhra Bank, SME Mallapur Branch	18.00	24.00
OCC (Adhoc limit)		3.60	-
Term Loans*		1.73	46.22
Proposed Term Loan		0.90	-
Proposed Open Cash Credit		5.00	-
Non Fund based:			
BG (Inland/ Foreign)		20.00	25.00
LC (Inland/ Foreign)/ Buyer's credit		7.50	7.50
Total		56.73	102.72

*Sanctioned Term Loan Limits

Note: Sub-limits under OCC: CBP/DBP of Rs 2.00 Crs and Packing Credit/ FBP/FUBD of Rs 3.00 Crs

Analogics Tech India Ltd (ATIL)
Annexure II
Key Financial Parameters

Particulars	31/Mar/2016	31/Mar/2017
Result Type	Audited	Audited
Revenue from operations (Rs Crs)	92.20	105.58
EBITDA (Rs Crs)	11.28	10.39
PAT (Rs Crs)	4.08	2.59
Tangible Net Worth (Rs Crs)	37.82	40.55
Total Debt/TNW (Times)	0.75	1.59
Current Ratio (Times)	1.33	1.71

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.