Rating Rationale

Brickwork Ratings assigns 'BWR B' & 'BWR A4' for the Bank Loan Facilities aggregating to ₹ 120 Cr of Atlanta Electricals Pvt Ltd.

Brickwork Ratings has assigned the following **Ratings**[1] for the Bank Loan facilities of Atlanta Electricals Pvt Ltd. *(AEPL or the company)*.

Facilities	Limits (₹ Cr)		Tenure	Rating
	Sanctioned	Proposed		
Fund Based				
Cash credit	21.40	18.60	**Long Term**	**BWR B** (Pronounced as BWR B) **Outlook: Stable**
Bill Discounting (Non LC)	-	5.00	**Short Term**	**BWR A4** (Pronounced as BWR A Four)
Total Fund Based	**21.40**	**23.60**		
Non Fund Based				
Letter of Credit	5.00	20.00	**Short Term**	**BWR A4** (Pronounced as BWR A Four)
Bank Guarantee	40.00	10.00		
Total Non-Fund Based	**45.00**	**30.00**		
Total	**66.40**	**53.60**	**(INR One Hundred and Twenty Crores only)**	

BWR has essentially relied upon the audited financials of Atlanta Electricals Pvt Ltd up to FY 14 and projected financials of FY 15 & FY 16, publicly available information and information/clarifications provided by the firm.

The rating reflects promoters experience in the industry, long and established track record of operation and favourable outlook of power sector demand in the long term. The rating is, however, constrained by low capacity utilisation resulting in declining revenues for last two years and also due to slowdown in power sector, stressed liquidity due to devolvement in LC, Moderate financial risk profile marked by moderate tangible Networth and gearing level and weak debt service coverage ratios, company managing to achieve profit only through non-operating income and exposure to competition from players in the industry. The ratings also take into consideration current order book position and improvement in profitability margin since the company proposed to get CRGO raw material from its group company at a lesser price compared to market prevailing rate and pending sanction of proposed enhancement exposure

Background:

Atlanta Electricals Pvt Ltd (AEPL), was established as partnership firm in the year 1983 and later, it was reconstituted to Private Limited company in the year 1995. The company is managed by Mr. Harshad Mehta and Mr. Harendra Shah. Its manufacturing facility located at Anand, Gujurat. AEPL is engaged in manufacturing of power distribution and special transformers. The company has successfully manufactured, type tested & delivered 100 MVA /220 KV class transformers.

[1] ***Please refer to www.brickworkratings.com for definition of the Ratings***

The current annual installed capacity of plant is 7000 M VA per annum. Products manufactured by the company are Power Transformers (upto & including 100MVA / 220KV), Distribution Transformers (starting from 63 KVA / 11KV), Furnace Transformers (up to & including 10MVA / 66KV) and Motor Starting Transformers (for L.T. & H.T Motors) etc. The customer base for the products is Electricity boards, power and utility companies, steel plants, foundries, textile and oil units. Major clients for AEPL include GEB, MSEB, MPEB, RSEB, NTPC, Inductotherm and Suzzlon Energy Ltd etc.

Financial Performance:

AEPL's net revenue from operations decreased from ₹ 55.95 Crores in FY13 to ₹ 22.73 Crores in FY14 due to slowdown in capacity addition in power sector as well as reduced realizations. Revenues are expected to increase in FY 15 on account of orders on hand for an amount of around Rs. 191 crs.

EBITDA and PAT margins were at 18.87% and 0.86 % respectively in FY14, marginally increased from 13.36 % and 0.79 % respectively in FY13. Operating margins improved in FY 13 due to reduction of raw material prices. Form past two years the company earned net profits because of non-operating income.

Due to infusion of capital and retention of profits, tangible Networth increased from Rs. 31.72 crs in FY 13 to Rs. 31.91 crs in FY 14. In addition, un-secured loan from promoters and family members to the tune of Rs. 23.40 Crs, The Company carries fairly large amount of inventory, including those of stock in progress because the manufacturing process of transformers takes longer time. Borrowings are essentially by way of working capital facilities and the ratio of Total Debt to Equity was 1.60x times in FY 14 which include unsecured loans of Rs. 23.40 crs.

The company has informed that it has achieved sales of around Rs. 23 crs for the four month operation period April- July 2014.

Rating Outlook:

The rating outlook is expected to be stable over the current year. Going forward, the ability of the company to, achieve the projected turnover by improving its capacity utilization, strengthen its capital structure, improve the liquidity by taking effective steps for debtor recovery and manage working capital efficiently - will remain key rating sensitivities.

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