



## Rating Rationale

Atul Generators Pvt. Ltd

3 Nov 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 6.45 Crores of Atul Generators Pvt. Ltd.

### Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based Overdraft Cash Credit	5.5	Long Term	BWR B+ (Pronounced as BWR Single B Plus) Outlook: Stable
Non Fund Based Bank Guarantee	0.95		
<b>Total</b>	<b>6.45</b>	<b>INR Six Crores Forty Five Lakhs Only</b>	

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results of the Firm upto FY18 and projected financials upto FY21, publicly available information and information/clarifications provided by the management.

The rating draws strength from extensive experience of promoters and improved operating profitability. The rating, however, is constrained by stretched conversion cycle, low scale of operations, average financial risk profile, risk of fluctuation in price of raw material and competitive nature of industry.

### Description of Key Rating Drivers

#### Credit Strengths:

- **Extensive experience of promoters:** The promoters of the company, Mr. R.S. Mittal, Mr. Sanjeev Mittal and Mr. Nikunj Mittal are well qualified and have decades long experience in the industry. The experience of the promoters has helped them in running the business operations efficiently.



- **Improvement in operating profitability:** Although the sales of the company has decreased from Rs. 22.04 Cr in FY17 to Rs. 20.71 CR. in FY18, the operating profit has still shown an increase from Rs. 1.03 Cr. in FY17 to Rs. 1.49 Cr. in FY18. Subsequently, the operating profit margin has increased from 5.03% in FY17 to 7.50 % in FY18.

#### **Credit Risks:**

- **Stretched conversion cycle:** The conversion cycle of the company is high at 118 days which is a result of high receivables period i.e. 109 days and moderate inventory holding period of 73 days in FY18. The trade receivable period is high due to delay in payments from government.
- **Low Scale of operations:** The total operating income has decreased from Rs. 22.04 Cr in FY17 to Rs. 20.71 CR. in FY18 due to effect of demonetisation and implication of GST in the country.
- **Average financial risk profile:** The average financial risk profile is marked by low tangible net worth of Rs. 4.09 r. in FY18 as against Rs. 3.79 Cr. in FY17. The debt protection matrix is moderate with an ISCR of 1.52 times in FY18. The net profit margin is also low at 1.45 % only in FY18.
- **Price fluctuation risk and competitive nature of industry:** The operating expenses are subject to price volatility risk associated with fluctuation in price of Iron, copper and other raw materials required in the business operations. Also, due to low entry barriers, there are various small and large players in the industry which further stress the market share of the company.

#### **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).



### Rating Outlook: Stable

BWR believes the **Atul Generators Pvt. Ltd** 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.

### About the Company

Atul Generators Pvt. Ltd. (AGPL) was incorporated in 1987. In a span of thirty one years AGPL has developed itself from a small ancillary manufacturing set up to a full fledged Private Limited Company. AGPL is a part of Atul Group of companies. AGPL is engaged in Diesel Generating Sets, A C Generator, Diesel Engines, Centrifugal Water Pumps and Hand Pump sets. The promoters of the company, Mr. R.S. Mittal, Mr. Sanjeev Mittal and Mr. Nikunj Mittal have decades long experience in the industry.

### Company's Financial Performance

The total operating income has decreased from Rs. 22.04 Cr in FY17 to Rs. 20.71 CR. in FY18. AGPL has achieved a sales of Rs. 13.94 Cr. till Sep 2018. The increase in PAT is not significant, PAT increased to Rs. 0.30 Cr. in FY18 as against Rs. 0.29 Cr. in FY17. The Total Net Worth stood at Rs. 4.09 Cr. in FY18. The debt protection matrix is modest with a ISCR of 1.52 times in FY18. The Operating Profit Ratio increased from 5.03 % in FY17 to 7.50 % in FY18.

### Rating History for the last three years

S.No	Instrument /Facility	Current Rating (Oct 2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
	<b>Fund based</b> Overdraft Cash Credit	Long Term	5.5	<b>BWR B+</b> <b>(Pronounced as BWR Single B Plus)</b> Outlook: Stable			N/A
	<b>Non Fund Based</b> Bank Guarantee	Long Term	0.95				
	<b>Total</b>		<b>6.45</b>	<b>₹ Six Crores Forty Five Lakhs Only</b>			

**Key Financial Indicators**

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	20.71	22.04
EBITDA	₹ Cr	1.55	1.11
PAT	₹ Cr	0.30	0.29
Tangible Net worth	₹ Cr	4.09	3.79
Total Debt/Tangible Net worth	Times	1.67	2.26
Current Ratio	Times	1.53	1.85

**Hyperlink/Reference to applicable Criteria**

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

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**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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 13,22,500 Cr. In addition, BWR has rated over 7000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹62,000 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

**DISCLAIMER**

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