Press Release

Asiatic Electrical and Switchgear Private Limited (AESPL)
October 17, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term/ Short Term Facilities	50.00 (increased from Rs.20.00 crore)	IVR D	IVR BBB- / Stable; IVR A3 (IVR Triple B Minus with Stable Outlook / IVR A Three)	Downgraded	Simple
Short term Facilities	5.00 (reduced from Rs. 15.00 crore)	IVR D	IVR A3 (IVR A Three)	Downgraded	Simple
Total	**55.00 (Rupees Fifty-Five Crore only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The downgrade in the ratings assigned to the bank facilities of Asiatic Electrical and Switchgear Private Limited (AESPL) takes into account the delays in debt servicing till October 7th, 2024 due to short term cash flow mis-match.

The ratings also take cognizance of the improvement in operating revenue and range bound margins, comfortable financial risk profile, extensive experience of the management and its reputed clientele.

The ratings, however, remained constrained due to the elongated working capital cycle, high competition and cyclicality in the industry and the company's stretched liquidity position.

Key Rating Sensitivities:

Upward Factors

- Continuous timely servicing of debt obligations for at least 90 days

Downward Factors

- Not Applicable

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Improvement in operating revenue and range bound margins

In FY24 (A) (refers to the period from April 01, 2023 to March 31, 2024), AESPL's operating income improved by approximately 20%, reaching Rs.125.34 crore, compared to Rs.103.80 crore in FY23 (A) (refers to the period from April 01, 2022 to March 31, 2023). This increase is backed by the sales of products carrying higher realizations as compared to that of the products carrying lower realizations. Also, the company has shifted its focus on the bundled products as compared to selling small loose products. This increase in revenue led to a rise in profitability, with the EBITDA increasing to Rs.10.60 crore in FY24 (A) from Rs 9.13 crore in FY23(A). Similarly, the PAT improved to Rs 6.89 crore in FY24 (A), from Rs 5.00 crore in the previous fiscal year. However, the profitability margins remain range-bound, with the EBITDA margin reported in the range of 8.00% to 8.50% and the PAT margin in the range of 4.75% to 5.50%.

Comfortable financial risk profile

AESPL's capital structure has remained comfortable, as indicated by stable overall gearing of 0.51x as on March 31, 2023 and March 31, 2024. Additionally, the company reported an improvement in its TOL/TNW ratio, which stood at 1.67x as of FY24 (Audited), compared to 1.81x in FY23 (Audited). Debt protection metrics also improved, with the DSCR and Interest Coverage Ratio rising from 1.54x and 4.83x in FY23 (Audited) to 5.09x and 5.33x in FY24 (Audited), respectively, driven by higher sales and profits.

Extensive experience of the management

Operations are managed by a professional team, with inputs from the parent company LTL Holdings Limited. The company has a successful track record in the domestic as well as export markets. The longstanding track record, strong understanding of the market dynamics and healthy relationships with suppliers and customers should continue to support the business risk profile over the medium term. The company benefits operationally, and in the form of managerial support, from its parent company, LTL holdings Limited (LTL). AESPL derives 5-10% of its revenue directly from the parent, while it also benefits from the parent’s presence in executing projects in export markets.

Reputed clientele

AESPL has long relationships with reputed clientele across the country with the relationship period being more than 10 years for many of its clients. Established relationships with reputed clientele has ensured repeated orders due to timely execution of past orders. Jaipur Vidyut Vitran Nigam Limited, LTL Transformers Pvt. Ltd., Ajmer Vidhyut Vitran Nigam Limited, Jodhpur Vidyut Vitran Nigam Limited are some of the clients.

Key Rating Weaknesses

Delays observed in the account

The company has delayed in servicing the working capital demand loan by 1 day, in the month of October 2024. Furthermore, liquidity crunch is observed as indicated from the high utilization in the working capital limits for the said period. There were intermittent delays in servicing of CC interest also.

Elongated working capital cycle

The business model of AESPL is inherently working capital intensive, as reflected by expected gross current assets (GCAs) of around 200 days as on March 31, 2024. The company receives payments within 60-90 days from the date of raising of bills. Inventory procurement is done considering orders which is usually 60-80 days. Large working capital requirement is cushioned by credit period availed from suppliers of around 81 days.

High competition and cyclicality in the industry

The capital goods industry is marked by cyclicality and high competition and the case is no different for the switchgear manufacturers. AESPL faces stiff competition not only from the established players, but also from the unorganized sector players. The level of differentiation, to be fair, is not huge for AESPL or for that matter any player in the switchgear field. However, in terms of state utility supplies, the products need to be widely tested and approved by the relevant authorities such as Central Power Research Institute, etc. which acts as an entry barrier for new players. In the medium-voltage segment, the Company has been developing products, simultaneously evolving with new technology developments and needs of the customers, which enable AESPL to bid along with large players.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies.

Financial Ratios & Interpretation (Non-Financial Sector).

Criteria for assigning Rating outlook.

Policy on Default Recognition and post default curing period

Complexity Level of Rated Instruments/Facilities

Liquidity – Stretched

AESPL's liquidity remains stretched with one day delay made in the repayment of the WCDL loan. Furthermore, liquidity crunch is observed as indicated from the high utilization in the working capital limits for the said period. There were intermittent delays in servicing of CC interest also.

However apart from the above mentioned WCDL, the company only has meagre vehicle loans, via-a-vis sufficient gross cash accruals of Rs.8.13 crore for the year ending on March 31, 2024. Current ratio and the quick ratio of the company remained modest at 1.23x and 0.77x respectively for the year ended on March 31, 2024 (FY23: 1.14x and 0.82x respectively). Cash & cash equivalent of Rs.3.06 crore as at FY24 end.

About the Company

AESPL was established in 1972 as a partnership firm and was reconstituted as a private limited company in 2007. In 2016, Sri Lanka-based LTL Holdings Private Limited acquired the company from the erstwhile promoters. The company manufactures electrical distribution equipment, such as high tension/low tension switchgear products.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	103.80	124.35
EBITDA	9.13	10.60
PAT	5.00	6.89

Total Debt	13.82	16.99
Tangible Net Worth	27.18	33.59
Ratios		
EBITDA Margin (%)	8.80	8.52
PAT Margin (%)	4.79	5.46
Overall Gearing Ratio (x)	0.51	0.51
Interest Coverage (x)	4.83	5.33

** Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: CRISIL Ratings and Indian Ratings continue to classify the rating of AESPL under the Issuer Non-Cooperating (INC) category as per the press releases dated July 16, 2024, and May 15, 2024, respectively, due to non-submission of the required information.

Any other information: None

Rating History for last three years:

Sr. No.	Name of Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/ Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					(August 17, 2023)	**-**	**-**
1.	Import Letter of Credit/ Export Packing Credit (EPC)/ Packing credit in Foreign Currency (PCFC)	Long Term/ Short Term	50.00	IVR D	IVR BBB-/ Stable; IVR A3	-	-
2.	Letter of Credit/ Derivative/ Pre-Shipment financing	Short Term	5.00	IVR D	IVR A3	-	-
	Proposed Long Term /Short Term Fund based facility*	Long Term/ Short Term	0.00	--	IVR BBB-/ Stable; IVR A3		

**The same has been sanctioned subsequently.*

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Import Letter of Credit	-	-	-	-	35.00	IVR D
Letter of Credit	-	-	-	-	4.00	IVR D
Derivative	-	-	-	-	1.00	IVR D

Export Packing Credit (EPC)/ Packing credit in Foreign Currency (PCFC)	-	-	-	-	15.00	IVR D

Annexure 2: Facility wise lender details –

https://www.infomerics.com/admin/prfiles/Len-Asiatic-Electrical-17oct24.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.