



## Press Release

### Raksan Transformers Private Limited

September 23<sup>th</sup>, 2024

#### Ratings

Sl. No.	Instrument/ Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	<a href="#">Complexity Indicator</a>
1.	Long Term Bank Facility	23.50	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	-	Assigned	Simple
2.	Short Term Bank Facility	18.00	IVR A3 (IVR A Three)	-	Assigned	Simple
	<b>Total</b>	<b>41.50</b>	<b>Rupees Forty-One Crore and Fifty Lakh Only</b>			

Details of Facilities are in Annexure 1

Facilities wise lender details are in Annexure 2

Detailed explanation of covenants is at Annexure 3

#### Detailed Rationale

Infomerics Valuation and Ratings Private Limited (IVR) has assigned its rating to the bank facilities for long term facilities to IVR BBB- with stable outlook and IVR A3 for short term facilities of Raksan Transformers Private Limited (RTPL).

The rating draws comfort from its experienced management with established track record, reputed clientele and suppliers with low counterparty risk, improving scale of operations and satisfactory financial risk profile and debt protection metrics. However, these rating strengths are partially offset by decline in profitability margins, volatility in raw material prices and stiff industry competition.

The Stable outlook is expected to remain in view of long track record of operations, extensive experience of promoters and healthy relationship with its customers and suppliers. Infomerics expects that business risk profile will be maintained over the medium term.

IVR has principally relied on the audited financial results of ATPL's up to 31 March 2023, Management Certified Provisional Results for FY2024 (Review period from 1<sup>st</sup> April 2023 to 31<sup>st</sup> March 2024), and projected financials for FY25, FY26 and FY27, and publicly available information/ clarifications provided by the company's management.

#### Upward factors

- Substantial improvement in the scale of operations with TOI above Rs. 200 crore and profitability margins



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- Improvement in debt protection metrics
- Sustenance of the gearing below

### Downward factors

- Significant reduction in the scale of operations and profitability margins
- Deterioration in debt protection metrics and overall gearing

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Experienced track record of operations and experienced management:**  
RTPL, commenced its business in 1995 and has a successful track record of more than two decades in the existing line of business. Overall activities of RTPL are managed by two directors with Mr. Sanjeev Kanda being the Managing Director. He has experience of more than two decades of expertise in the transformers manufacturing industry. He is ably supported by other director Ms. Renu Kanda, who have effective experience in existing line of business as well as supported by qualified and well experienced management team. Their extensive experience has helped them build relationships with suppliers and clients and obtain repeat business.
- **Reputed clientele and suppliers with low counterparty risk**  
RTPL mainly caters to Government clients and public sector companies in electrical and power industry and gets business through tender bidding. Clientele base primarily comprises reputed global clients in electrical and power sector like Pashchimanchal Vidyut Vitran Nigam Ltd, Larsen & Toubro Ltd, Chhattisgarh State Power Distribution Company Limited and others. The company has an unexecuted order book position of ~Rs. 100 crore which is expected to be executed by end of the third quarter of FY2024. The company purchases its raw materials from reputed vendors namely, Adhunik Niryat Ispat Limited, Shree Ji Metal, Divine Power Energy Limited, and others with whom they have long relationship. Though RTPL has low bargaining power with its customers, but its clientele base has sound credit risk profile, which reduces the counterparty payment risk to a certain extent.
- **Satisfactory financial risk profile and debt protection metrics**  
The tangible net worth improved to Rs. 22.20 crore in FY2024 (Provisional) from Rs. 16.32 crore in FY2023. In terms of the debt coverage indicators, the interest service coverage ratio (ISCR) and the debt service coverage ratio (DSCR) improved and remained adequate at 5.55x and 4.46x respectively in FY2024 (Provisional). Overall gearing stood at 0.40x in FY2024 (Provisional).
- **Improving scale of operations**



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The Total operating income (TOI) for FY2024 (Provisional) improved by 122.49% to Rs. 161.01 crore from Rs. 72.37 crore in FY2023. This growth is attributed to increase in tenders won by the company resulting in higher sales of transformers.

### Key Rating Weaknesses

- **Decline in profitability margins.**  
RTPL's operating margins and net profit margins have declined to 5.73% and 3.57% respectively in FY2024 (Provisional) from 8.33% and 4.71% respectively in FY2023 due to stiff competition in the industry.
- **Volatility in raw material prices**  
Raw materials such as copper, cold rolled grain oriented (CRGO) steel, insulation oil and radiators form majority of RTPL's total raw material costs. Prices of these raw materials are highly volatile in nature, guided by the international demand-supply scenario due to their global linkages. This exposes RTPL to any major adverse raw material price fluctuation.
- **Stiff industry competition**  
The domestic transformer manufacturing industry is highly fragmented marked by presence of many players, especially for lower KV class transformers and thus remains competitive. Players also face competition by way of imports from countries such as China. This coupled with tender based procurement by majority of the customers results in pressure on pricing and margins for the industry players. Furthermore, players in the transformer industry also face multiple execution challenges such as lack of clearances for projects and weak financial health of distribution companies, which restricts the order inflow and impacts liquidity. However, RTPL has a good client base of private companies lowering counterparty risk to an extent.

**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](#)

[Complexity Level of Rated Instruments/Facilities](#)

**Liquidity – Adequate**



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The company's liquidity is expected to be adequate. The gross cash accruals stood comfortable at Rs. 6.12 crore for FY2024 (Provisional) against a repayment obligation of Rs. 0.08 crore in FY2024(Provisional). The company is expected to generate cash accruals of Rs. 6.99 crore in FY2025 as against the repayment of ~ Rs. 0.67 crore indicating sufficient repaying capability. The average month end working capital utilization of its fund based working capital limits is ~45.49% during the past 12 months ended June 2024 indicating a sufficient liquidity buffer.

### **About the Company**

Raksan Transformers Private Limited (RTPL) is a private limited company incorporated in 1995. The company is engaged in manufacturing power transformers, three phase distribution transformers, special purpose transformers and solar transformers and allied products. It has three manufacturing facilities with a total installed capacity of 5000 pcs p.a. of transformers ranging from 25 kva to 12500 kva. The company is promoted by Mr. Sanjeev Kanda and Ms. Renu Kanda, who have more than 2 decades of experience in the same line of business. The company is ISO 9000:2015 certified ISO & BIS approved.

### **Financials (Standalone):**

For the year ended*/As on	(Rs. crore)	
	31-03-2023	31-03-2024
	<b>Audited</b>	<b>Provisional</b>
Total Operating Income	72.37	161.01
EBITDA	6.03	9.23
PAT	3.46	5.77
Total Debt	5.70	8.88
Tangible Net worth	16.32	22.20
EBITDA Margin (%)	8.33	5.73
PAT Margin (%)	4.71	3.57
Overall Gearing Ratio (x)	0.35	0.40
Interest Coverage Ratio (x)	2.91	5.55

*\*Classification as per Infomerics' standards*

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Nil

**Rating History for last three years:**



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	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
1.	Fund Based (Term Loan)	Long Term	10.00	IVR BBB-/Stable	-	-	-
2.	Fund Based (Cash Credit)	Long Term	13.50	IVR BBB-/Stable			
3.	Fund Based (Bills Discounting)	Short Term	10.00	IVR A3			
4.	Non-Fund Based (Letter of Credit)	Short Term	8.00	IVR A3	-	-	-

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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).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	July 2034	10.00	IVR BBB-/Stable
Cash Credit	-	-	-	13.50	IVR BBB-/Stable
Bills Discounting	-	-	-	10.00	IVR A3
Letter of Credit	-	-	-	8.00	IVR A3

### Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-raksan-sep24.pdf>

**Annexure 3: Detailed explanation of covenants of the rated securities/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 [Complexity Level of Rated Instruments/Facilities](#).