

RATING REPORT

Associated Technologies (Pvt.) Limited

REPORT DATE:

February 14, 2018

RATING ANALYSTS:

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RATING DETAILS

Rating Category	Latest Rating	
	Long-term	Short-term
Entity	A-	A-2
Rating Date	Feb' 14, 2018	
Rating Outlook	Stable	
Outlook Date	Feb' 14, 2018	

COMPANY INFORMATION

Incorporated in 1987

External auditors: Naveed Mukhtar & Co. Chartered Accountants

Chairman of the Board: Mr. Mobashir A. Malik

Private Limited Company

Chief Executive Officer: Mr. Mobashir A. Malik

Key Shareholders (with stake 5% or more):

Mr. Mobashir A. Malik & family- 100%

APPLICABLE METHODOLOGY(IES)

JCR-VIS Entity Rating Criteria: Industrial Corporates (October 2016)

<http://jcrvis.com.pk/docs/Corporate-Methodology-201605.pdf>

Associated Technologies (Pvt.) Limited

OVERVIEW OF THE INSTITUTION

Associated Technologies (Pvt.) Limited (ATL) was incorporated in October, 1987 as a private limited company under the Companies Ordinance, 1984. Principal activities of the company include manufacturing, fabrication of steel towers and construction of civil works. Head office of the company are situated at 142 D, Model Town, Lahore.

Profile of Chairman & CEO

Mr. Mobashir A. Malik also serves as Chairman & Chief Executive Officer (CEO) of the company. He has done Masters in Mechanical Engineering from Texas A&M University, USA and carries around 35 years of work experience in management and engineering including association with ATL since its inception.

Financial Snapshot:

Net Profit: FY17: Rs. 831.12m; FY16: Rs. 585.3m; FY15: 185.0m.

Net Equity: FY17: Rs. 4.1b; FY16: Rs. 3.4b; FY15: Rs. 2.7b.

RATING RATIONALE

The ratings assigned to Associated Technologies Limited (ATL) incorporates low leverage and adequate coverages thereby translating into low financial risk profile of the company. As revenue remains a function of projects awarded to the company, an outcome of competitive bidding, business risk is thereby considered moderately high.

Corporate & Business Profile

ATL is a family owned business with 100% shareholding vested with Mr. Mobashir A. Malik & family. Principal activities of the company include manufacturing, fabrication of steel towers and construction of civil works. ATL factory is ISO certified and has a capacity of producing 1500 tons of galvanized steel products per month. Since its inception, ATL has manufactured and supplied telecommunication towers and developed infrastructure in the sectors of energy, hydropower and telecommunication along with installation of over 14000 Base Transceiver Station (BTS) sites for all the telecommunication operators in Pakistan.

Asset Mix

By end-FY17, total assets of the company stood higher at Rs. 5.2b (FY16: Rs. 4.1b; FY15: Rs. 3.5b). Asset base is primarily dominated by investment properties. Other major assets include cash and bank balances, trade debts and loan to associate. Property, plant and equipment has been largely depreciated, though the company continues to make additions as required. Long-term investments represent investment in subsidiary & associated undertakings of ATL.

Profitability

Revenue of the company is derived through two functions: manufacturing & supply of galvanized steel structures and civil works (including civil consulting services). During FY17, net revenue increased primarily as a result of higher civil contracts obtained. Given relatively higher margin in civil contracts business, gross margin of the company stood higher during FY17. Net profit stood higher at Rs. 831.1m (FY16: Rs. 585.3m; FY15: Rs. 185.0m) during FY17.

Liquidity and Cash flows

Liquidity is considered sound on account of ample cash balance available. Moreover, credit terms of steel supplies are mostly cash on delivery. The company also has the option of utilizing bill discounting facility in case of late payment. During FY17, Funds from Operations (FFO) improved to Rs. 396.3m (FY16: Rs. 14.5m; FY15: Rs. 32.9m). On account of higher FFO, Debt Service Coverage Ratio (DSCR) also increased to 22.9x (FY16: 1.79x; FY15: 3.51x). Going forward, variation in cash flows is expected to remain a function of sales and gross margin.

Capitalization and Funding

Paid-up capital of the company is Rs. 10m. By end-FY17, total equity of the company continues to increase on account of profit retention. The short-term borrowings comprise Rs. 49.6m (FY16: Rs. 101.1m; FY15: Rs. 272.9m) of interest bearing bank borrowings while Rs. 63m (FY16: Rs. 65.3m; FY15: nil) relates to interest-free borrowing utilized for working capital requirements. As per the management, stand-by credit lines available to the company currently amounts to Rs. 450m. Debt profile of ATL is considered conservative as evident by its low level of gearing and leverage indicators.

JCR-VIS Credit Rating Company Limited

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

Associated Technologies (Pvt.) Limited**Appendix I**

FINANCIAL SUMMARY <i>(amounts in PKR millions)</i>			
BALANCE SHEET	JUN 30, 2017	JUN 30, 2016	JUN 30, 2015
Property, Plant & Equipment	133.6	426.3	275.6
Investment Properties	2,637.9	2,221.3	1,800.0
Long-term Investments	119.7	105.6	125.2
Stock-in-Trade	188.9	213.7	499.3
Trade Debts	682.4	348.3	414.2
Cash & Bank Balances	777.5	433.1	20.3
Total Assets	5,207.6	4,119.3	3,490.1
Trade and Other Payables	930.1	507.9	407.5
Long Term Debt	-	-	-
Short-term Debt	112.6	166.4	272.9
Total Liabilities	1,121.2	749.9	748.9
Total Equity*	4,086.4	3,369.4	2,741.2
INCOME STATEMENT			
	JUN 30, 2017	JUN 30, 2016	JUN 30, 2015
Net Sales	3,039.4	2,545.8	1,109.7
Gross Profit	613.0	220.4	149.2
Operating Profit	552.2	164.2	103.1
Other Income	456.3	537.9	145.0
Profit before Tax	998.0	684.0	225.9
Profit After Tax	831.1	585.3	185.0
RATIO ANALYSIS			
	JUN 30, 2017	JUN 30, 2016	JUN 30, 201
Gross Margin (%)	20.2	8.7	13.4
FFO	396.3	14.5	32.9
FFO to Total Debt	3.52	0.09	0.12
FFO to Long-term Debt	-	-	-
Debt Leverage	0.27	0.22	0.27
Gearing	0.03	0.05	0.10
DSCR	22.87	1.79	3.51
ROAA (%)	17.8	15.4	7.4
ROAE (%)	22.3	19.2	10.4

* Total equity includes loan from sponsors

ISSUE/ISSUER RATING SCALE & DEFINITIONS

Appendix II

Medium to Long-Term

AAA

Highest credit quality; the risk factors are negligible, being only slightly more than for risk-free Government of Pakistan's debt.

AA+, AA, AA-

High credit quality; Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

A+, A, A-

Good credit quality; Protection factors are adequate. Risk factors may vary with possible changes in the economy.

BBB+, BBB, BBB-

Adequate credit quality; Protection factors are reasonable and sufficient. Risk factors are considered variable if changes occur in the economy.

BB+, BB, BB-

Obligations deemed likely to be met. Protection factors are capable of weakening if changes occur in the economy. Overall quality may move up or down frequently within this category.

B+, B, B-

Obligations deemed less likely to be met. Protection factors are capable of fluctuating widely if changes occur in the economy. Overall quality may move up or down frequently within this category or into higher or lower rating grade.

CCC

Considerable uncertainty exists towards meeting the obligations. Protection factors are scarce and risk may be substantial.

CC

A high default risk

C

A very high default risk

D

Defaulted obligations

Short-Term

A-1+

Highest certainty of timely payment; Short-term liquidity, including internal operating factors and /or access to alternative sources of funds, is outstanding and safety is just below risk free Government of Pakistan's short-term obligations.

A-1

High certainty of timely payment; Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

A-2

Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Access to capital markets is good. Risk factors are small.

A-3

Satisfactory liquidity and other protection factors qualify entities / issues as to investment grade. Risk factors are larger and subject to more variation. Nevertheless, timely payment is expected.

B

Speculative investment characteristics; Liquidity may not be sufficient to ensure timely payment of obligations.

C

Capacity for timely payment of obligations is doubtful.

Rating Watch: JCR-VIS places entities and issues on 'Rating Watch' when it deems that there are conditions present that necessitate re-evaluation of the assigned rating(s). Refer to our 'Criteria for Rating Watch' for details. www.jcrvis.com.pk/images/criteria_watch.pdf

Rating Outlooks: The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details. www.jcrvis.com.pk/images/criteria_outlook.pdf

(SO) Rating: A suffix (SO) is added to the ratings of 'structured' securities where the servicing of debt and related obligations is backed by some sort of financial assets and/or credit support from a third party to the transaction. The suffix (SO), abbreviated for 'structured obligation', denotes that the rating has been achieved on grounds of the structure backing the transaction that enhanced the credit quality of the securities

and not on the basis of the credit quality of the issuing entity alone.

'p' Rating: A 'p' rating is assigned to entities, where the management has not requested a rating, however, agrees to provide informational support. A 'p' rating is shown with a 'p' subscript and is publicly disclosed. It is not modified by a plus (+) or a minus (-) sign which indicates relative standing within a rating category. Outlook is not assigned to these ratings. Refer to our 'Policy for Private Ratings' for details. www.jcrvis.com.pk/images/policy_ratings.pdf

'SD' Rating: An 'SD' rating is assigned when JCR-VIS believes that the ratee has selectively defaulted on a specific issue or obligation but it will continue to meet its payment obligations on other issues or obligations in a timely manner.

JCR-VIS Credit Rating Company Limited

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

REGULATORY DISCLOSURES				Appendix III	
Name of Rated Entity	Associated Technologies (Pvt.) Limited				
Sector	Engineering				
Type of Relationship	Solicited				
Purpose of Rating	Entity Ratings				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
	RATING TYPE: ENTITY				
	Feb 14, '18	A-	A-2	Stable	Initial
Instrument Structure	N/A				
Statement by the Rating Team	JCR-VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.				
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