



SMERA RATINGS LIMITED

Emdee Digitronics Private Limited (EDPL)

*Rating
Rationale*July 25, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	2.50	SMERA BB-/Stable (Assigned)
Bank Guarantee	3.65	SMERA A4+ (Assigned)
Bank Guarantee (Proposed)	8.85	SMERA A4+ (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB-**' (read as **SMERA double B minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.15.00 crore bank facilities of Emdee Digitronics Private Limited (EDPL). The outlook is '**stable**'. The ratings derive comfort from the company's above-average financial risk profile marked by a comfortable network and healthy capital structure, stable operating margins and long standing experience of the management. The ratings are however constrained by the moderate scale of operations, working capital intensive operations reflected in stretched receivables and tender-based business of the company.

EDPL, incorporated in 2004 is a Kolkata-based company engaged in IT enabled e-government services for the West Bengal State Electricity Distribution Company, West Bengal government among others. The company also deals in computers, laptops among others and does jobs for Aadhar cards, NPR jobs, etc. Besides, the main promoter, Mr. Malay Das has an experience of more than a decade in the e-governance industry.

The company's above-average financial risk profile is marked by low gearing of 0.06 times in FY2013-14 that comprises only working capital borrowing. Further, the strong net worth is backed through equity infusion of Rs.2.46 crore and security premium of Rs.1.44 crore in FY2013-14. The operating margins of the company have been steady ranging around 13 per cent to 16 per cent in the past five years.

EDPL's scale of operations are moderate marked by turnover of Rs.40.23 crore for FY2013-14. The company derives around 95 per cent revenue from its services to government organisations with the balance five percent coming in from sale of IT products such as computers and laptops. However, EDPL has orders worth~Rs.60.00 crore to be executed within a year which provides moderate revenue visibility over the medium term. The operations of the company are working capital intensive as reflected from its high collection days of 297 as on March31, 2014.

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**Outlook:Stable**

SMERA believes that EDPL will continue to benefit over the medium term from its experienced management, established clientele and supplier base. The outlook may be revised to 'Positive' if the company's scale of operations increases substantially, while maintaining its operating profitability. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve the profitability or if the financial risk profile deteriorates owing to higher capex or more than envisaged working capital requirements.

About the Company

EDPL, incorporated in 2004 is a Kolkata-based company promoted by Mr. Malay Das, Mrs. Jaya Das Chatterjee and Mr. Manas Das. The company provides IT management services such as data processing and conversion, system integration for e-Governance activities of the Central and the State Government. The company also deals in computers, laptops among others.

EDPL reported profit after tax (PAT) of Rs.3.79 crore on operating income of Rs.40.23 crore for FY2013-14, as against PAT of Rs.4.40 crore on operating income of Rs.45.64 crore in FY2012-13. The company's net worth stood at Rs.16.53 crore as on March 31, 2014, as compared with Rs.8.84 crore a year earlier.

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