

Emdee Digitronics Private Limited: Reaffirmed

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	2.50	SMERA BB-/Stable (Reaffirmed)
Bank Guarantee	12.50	SMERA A4+ (Reaffirmed)

SMERA has reaffirmed the 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**) on the Rs.15.00 crore bank facilities of Emdee Digitronics Private Limited (EDPL). The outlook is '**Stable**'. The ratings continue to derive comfort from the above-average financial risk profile, stable operating margins, healthy revenue visibility and extensive experience of the management. The ratings are however constrained by the moderate scale of operations, working capital intensive business, stretched receivables and tender-based business.

Update

The company reported revenue of Rs.52.11 crore in FY2016 compared to Rs.41.01 crore in FY2015 registering a year on year (Y-o-Y) growth of 27 per cent. The increase in revenue is backed mainly by increase in scale of operations. The operating margins fell to 12.95 per cent in FY2016 from 14.12 per cent in FY2015 and 14.11 per cent in 2014 due to higher employee costs in FY2016. The gearing has been Nil in FY2016 as compared to 0.12 times as on March 31, 2015 on account of no year-end cash credit utilisation. The debt profile derives comfort from the fact that EDPL has only working capital borrowings from banks. Around 40 per cent of the total cash credit limit of Rs.2.50 crore has been utilised while the bank guarantee utilisation remains around 70-80 percent. The company has sufficient internal accruals to meet short term payment obligations. Besides, the company also does not have any long term loan. The interest coverage ratio has improved to 34.82 times in FY2016 from 20.42 times in FY2015.

However, EDPL operates at a modest level of Rs.52.11 crore in FY2016 as compared to Rs.40.97 crore in the previous year. Debtors outstanding for more than six months are around 68 per cent of the tangible net worth. The collection days are high and stood at 309 days in FY2016.

Rating Sensitivity Factors

- Scaling up of operations and sustenance of profit margins
- Efficient working capital management

Outlook-Stable

SMERA believes that EDPL will continue to maintain a stable outlook over the medium term owing to 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 profitability or if the financial risk profile deteriorates.

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, conversion, system integration for e-governance activities of the central and state governments. The company also deals in computers, laptops among others.

EDPL reported profit after tax (PAT) of Rs.4.29 crore on operating income of Rs.52.16 crore for FY2015-16, as against PAT of Rs.3.38 crore on operating income of Rs.41.01 crore in FY2014-15.

Rating History

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
25 July, 2015	Cash Credit	2.50	SMERA BB- (Assigned)	-	Stable
	Bank Guarantee (Proposed)	8.85	-	SMERA A4+ (Assigned)	-
	Bank Guarantee	3.65	-	SMERA A4+ (Assigned)	-

Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations Tel: +91-22-6714 1105 Cell: +91-9619911017 Email: mohit.jain@smera.in	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in

ABOUT SMERA

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