



Elcom Innovations Private Limited (EIPL)

Rating Rationale

January 12, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	7.50	SMERA B+/Stable (Assigned)
Letter of Credit	4.00	SMERA A4 (Assigned)

SMERA has assigned a long-term rating of '**SMERA B+**' (read as **SMERA B plus**) and a short-term rating of '**SMERA A4**' (read as **SMERA A four**) to the Rs.11.50 crore bank facilities of Elcom Innovations Private Limited (EIPL). The outlook is '**Stable**'. The ratings are constrained by the small scale of operations, long working capital cycle with high inventory. The ratings are further constrained by the low net worth, stretched liquidity and the high bank limit utilisation of over 90 percent for the period April 2015 to November 2015. SMERA also notes the intense competition in the defence equipment industry. However, the ratings draw support from the experienced management and healthy work order.

Outlook: Stable

SMERA believes EIPL will maintain a moderate business risk profile in the medium term owing to the established operations and extensive experience of the promoters. The outlook may be revised to 'Positive' in case of improvement in operations, liquidity profile and working capital cycle. Conversely, the outlook may be revised to 'Negative' with further deterioration in the financial risk profile.

Rating Sensitivity Factors

- Scaling up of operations
- Improvement in working capital cycle

About the Company

EIPL (the erstwhile SRM Engineering Services India Private Limited) is engaged in the trading, manufacturing and assembling of telecommunication systems and offers services in the field of defence, electronics, communication and avionics. The company is part of the ELCOM group promoted by Sun Group Enterprises Private Limited, a private equity in India and other emerging markets.

For FY2014-15, the company reported profit after tax (PAT) of Rs0.43 crore on operating income of Rs.19.26 crore, as compared with profit after tax (PAT) of Rs.0.48 crore on operating income of Rs.15.44 crore in FY2013-14. The net worth stood at Rs.5.20 crore as on March 31, 2015 against Rs.0.20 crore a year earlier.

SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.



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