

Press Release

Icon Design Automation Private Limited

08 December, 2017



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 12.00
Long Term Rating	SMERA B / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA B**' (read as **SMERA B**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 12.00 crore bank facilities of Icon Design Automation Private Limited (IDAPL). The outlook is '**Stable**'.

IDAPL was incorporated in 1997. The company is engaged in the manufacture of components, sub-systems, hardware and software for defence, aerospace, electronics and telecommunication industries. The offices are located at New Delhi, Bangalore and Hyderabad.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

The promoters, Mr. S. Ramachandra, Mrs. R. Varalakshmi and Mr. A. Ramachandra have more than two decades of experience in the marketing, designing and manufacturing of the aforementioned components. The management is well supported by a competent second line of management.

- **Reputed clientele**

IDAPL caters to Indian Space Research Organization, Bharat Electronics Limited, Crompton Greaves, Cisco, HCL Technologies among others.

Weaknesses

- **Modest scale of operations**

The scale of operations is modest with revenue of Rs 7.61 crore in FY2016 as against Rs 4.07 crore in FY2015. For FY2017 (Provisional) the company registered revenue of Rs 13.10 crore.

- **Working capital intensive operations**

The working capital intensive operations are marked by gross current assets days of 262 in FY2016 as against 383 days in FY2015. The inventory days are high at Rs 176 crore in FY2016 compared to 203 in FY2015. The debtor days stood at 66 in FY2016 compared to 137 in FY2015.

- **Average financial risk profile**

The average financial risk profile is marked by low networth, high gearing and average debt

protection metrics. The net worth is low at Rs.1.67 crore in FY2016 as against Rs.1.39 crore in FY2015. The company has high gearing of 4.50 times in FY2016 compared to 2.77 times in FY2015. For FY2017 (Provisional) the gearing stood at 3.76 times while networth is at Rs 1.98 crore. The moderate interest coverage stood at 1.72 times in FY2016 compared to 2.99 times in FY2015 while the company registered Net Cash accruals (NCA/TD) of 0.06 times in FY2016 as against 0.15 times in FY2015.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of the company

Outlook: Stable

SMERA believes that IDAPL will maintain a stable outlook in the medium term owing to the promoters vast experience in the electronic components industry and reputed client base. The outlook may be revised to 'Positive' if the company scales up operations to sustain profitability while maintaining net cash accruals improving its working capital management cycle. However, the outlook may be revised to 'Negative' if IDAPL fails to achieve the expected growth in revenue or if the capital structure further declines.

About the Rated Entity - Key Financials

For FY2015-16, IDAPL reported PAT of Rs.1.25 crore on operating income of Rs.7.61 crore, as compared with PAT of Rs.0.81 crore on operating income of Rs.4.07 crore in FY2014-15.

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
11-Apr, 2016	Term Loan	Long Term	INR 4.5	SMERA B / Stable
	Cash Credit	Long Term	INR 1.5	SMERA B / Stable
	Letter of Credit	Short Term	INR 1	SMERA A4

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	NA	NA	NA	1.50	SMERA B / Stable
Proposed Cash Credit	NA	NA	NA	2.50	SMERA B / Stable
Term Loan	NA	NA		2.00	SMERA B / Stable
Letter of Credit	NA	NA	NA	1.00	SMERA B / Stable
Proposed Letter of Credit	NA	NA	NA	2.00	SMERA A4
Proposed Bank Guarantee	NA	NA	NA	3.00	SMERA A4

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in Abhishek Dey Analyst - Rating Operations Tel: 033-66201208 abhishek.dey@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in

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