

Press Release

ELECTRONIC ENTERPRISES (INDIA) PRIVATE LIMITED (EEIPL)

07 December, 2017

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 10.00 Cr.
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 plus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs. 10.00 crore bank facilities of Electronics Enterprises (India) Private Limited. The outlook is '**Stable**'.

The Mumbai-based EEIPL was incorporated as a private limited company in 1995. The company is engaged in the assembling, servicing and manufacturing of industrial and nuclear instruments. The products include electronic components, test instruments, nuclear detectors among others used in research organisations, defence, universities/educational institutes, rubber and automobile industries among others. The company is led by Directors, Mr. Arun Prabhakar Wagle, Mr. Ashok Anant Patankar and Mr. Ravindra Bajirao Thosar with experience of more than four decades in the industrial and nuclear instruments industry. The facilities are located at Mulund, Mumbai.

Key Rating Drivers

Strengths

• Long track record of operations and experienced management

EEIPL is a Mumbai-based company established in 1952 as a proprietorship firm and converted to a private limited company in 1995. The Directors, Mr. Arun Prabhakar Wagle, Mr. Ashok Anant Patankar and Mr. Ravindra Bajirao Thosar have collective experience of more than three decades in the industrial and nuclear instruments industry.

• Reputed clientele

EEIPL has established relations of more than four decades with customers and suppliers. The company supplies to reputed clientele namely Nuclear Power Corporation of India Limited, Indian Institute of Science Education & Research, Electronics Corporation of India Limited among others.

Weaknesses

• Small scale of operations and moderate profitability

EEIPL's scale of operations remained small with operating income of Rs. 12.54 crore for FY2017 (Provisional) as against Rs. 10.05 crore in FY2016. The operating margins (EBIDTA) improved to 8.40 per cent in FY2017 (Provisional) from 7.90 per cent in FY2016. This was because the company was able to get better margins for its products.

- **Average financial risk profile**

The financial risk profile remained average with net worth of Rs. 3.85 crore as on 31 March, 2017 (Provisional) as against Rs. 3.73 crore as on 31 March, 2016. The gearing (debt to equity ratio) stood at 1.08 times as on 31 March, 2017 (Provisional) compared to 0.95 times as on 31 March, 2016. The total debt of Rs.4.17 crore, consists of working capital borrowings of Rs. 3.50 crore and term loan of Rs. 0.67 crore as on 31 March 2017. The interest coverage ratio (ICR) stood at 1.64 times in FY2017 (Provisional) as against 1.65 times in FY2016. The net cash accruals to total debt (NCA/TD) stood at 0.09 times in FY2017 (Provisional) as against 0.10 times in FY2016.

- **Working capital intensive operations**

The operations are working capital intensive marked by high gross current assets (GCA) of 209 days in FY2017 and FY2016 on account of inventory holding of 48 days in FY2017 and 70 days in FY2016. The debtors stood at 114 days in FY2017 as against 121 days in FY2016. The working capital limit utilisation remained at 60 per cent in the six months ended September 2017.

- **Foreign exchange fluctuation risk**

EEPL imports its products from UK, USA, JAPAN, Germany, Russia, France etc. The company does not hedge its exposure as a result the profitability is vulnerable to fluctuations in forex rates.

Analytical Approach

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

Outlook: Stable

SMERA believes that EEIPL will continue to maintain a stable outlook over the medium term owing to its long track record of operations and experienced management. The outlook may be revised to 'Positive' in case the company registers substantial growth in revenues while improving profitability resulting in improved financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue and profitability resulting in fall in the financial risk profile or further elongation of working capital cycle.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional) the company registered profit after tax (PAT) of Rs. 0.11 crore on operating income of Rs.12.54 crore compared to PAT of Rs.0.08 crore on operating income of Rs.10.05 crore. The networth stood at Rs.3.85 crore as on 31 March, 2017 (Provisional) compared to Rs. 3.73 crore as on 31 March, 2016.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.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)

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.50	SMERA B+ / Stable (Assigned)
Vehicle term loan	Not Applicable	Not Applicable	Not Applicable	0.11	SMERA B+ / Stable (Assigned)
Term loan	Not Applicable	Not Applicable	Not Applicable	0.54	SMERA B+ / Stable (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A4 (Assigned)
Proposed	Not Applicable	Not Applicable	Not Applicable	0.85	SMERA B+ / Stable (Assigned)

***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	Not Applicable	Not Applicable	Not Applicable	3.50	SMERA B+ / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.11	SMERA B+ / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.54	SMERA B+ / Stable (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A4 (Reaffirmed)
Proposed	Not Applicable	Not Applicable	Not Applicable	0.85	SMERA B+ / Stable (Reaffirmed)

Contacts

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ABOUT SMERA

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