

Press Release

Electronic Enterprises (India) Private Limited

December 24, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) to the Rs. 10.00 crore bank facilities of Electronic Enterprises (India) Private Limited (EEIPL). The outlook is '**Stable**'.

The Mumbai-based, EEIPL was established as a partnership firm in 1952 and reconstituted as a private limited company in 1995. The company is promoted by Mr. Arun Prabhakar Wagle, Mr. Ashok Anant Patankar and Mr. Ravindra Bajirao Thosar. The company is engaged in manufacturing and trading of industrial and nuclear instruments used in research organisations, defence and universities among others.

Analytical Approach

Acuité has considered the standalone financial and business risk profile of EEIPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Long track record of operations and experienced management**

EEIPL was established as a partnership firm in 1952. The promoters of the company hold experience of more than six decades in the industrial and nuclear instrument industry. Acuité believes that the long track record and extensive experience of the management will help the company in maintaining healthy relations with its customers and suppliers.

- **Reputed clientele**

EEIPL generates 70-80 percent of its revenue through government organisations including Directorate of Purchase & Stores, Nuclear Power Corporation of India Limited, Indian Institute of Science Education & Research and Electronics Corporation of India Limited, among others.

Weaknesses

- **Small scale of operations**

Despite being in business since 1952, the company's scale of operations remained small with revenue of Rs.11.69 crore generated in FY2018 against Rs.11.39 crore in FY2017. This is because the company generates ~80 percent of its revenue from the government. Hence, the revenue is dependent on the demand from the government.

- **Average financial risk profile**

EEIPL has average financial risk profile marked by moderate net worth, moderate debt protection metrics and healthy gearing. The net worth of the company stood at Rs.3.97 crore as on March 31, 2018 against Rs.3.82 crore as on March 31, 2017. The total debt of Rs.3.83 crore consists of Rs.0.42 crore as long term debt from the bank, Rs.0.10 crore as unsecured loans from the promoters and Rs.3.31 crore as short term bank borrowings. The interest coverage ratio stood at 1.57 times for FY2018 against 1.58 times for FY2017. The DSCR stood at 1.48 times for FY2018 against 1.52 times for FY2017. The net cash accruals of the company stood at Rs.0.37 crore for FY2018 against repayment obligation of Rs.0.08 crore. Acuité believes that the company will maintain a stable financial risk profile in the near to medium term.

- **Foreign exchange fluctuation risk**

EEIPL imports its products from UK, USA, Japan, Germany, Russia and France to name a few. The company does not hedge its exposure as a result; the profitability is vulnerable to fluctuations in forex rates.

Outlook: Stable

Acuité 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

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	11.61	11.39	10.05
EBITDA	Rs. Cr.	1.06	1.00	0.79
PAT	Rs. Cr.	0.15	0.08	0.08
EBITDA Margin	(%)	9.16	8.81	7.90
PAT Margin	(%)	1.27	0.74	0.77
ROCE	(%)	12.48	11.16	11.30
Total Debt/Tangible Net Worth	Times	0.97	0.98	0.95
PBDIT/Interest	Times	1.57	1.58	1.65
Total Debt/PBDIT	Times	3.24	3.41	3.28
Gross Current Assets (Days)	Days	207	198	209

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Instrument	Term	Amount (Rs. Cr.)	Rating / Outlook
07-Dec-2017	Cash Credit	Long Term	3.50	ACUITE B+/ Stable (Reaffirmed)
	Vehicle Term Loan	Long Term	0.11	ACUITE B+/ Stable (Reaffirmed)
	Term Loan	Long Term	0.54	ACUITE B+/ Stable (Reaffirmed)
	Bank Guarantee/ Letter of Guarantee	Short Term	5.00	ACUITE A4 (Reaffirmed)
	Proposed	Long Term	0.85	ACUITE B+/ Stable

				(Reaffirmed)
22-Jul-2016	Cash Credit	Long Term	3.50	ACUITE B+/ Stable (Assigned)
	Term Loan	Long Term	0.11	ACUITE B+/ Stable (Assigned)
	Term Loan	Long Term	0.54	ACUITE B+/ Stable (Assigned)
	Letter of Credit	Long Term	5.00	ACUITE A4 (Assigned)
	Proposed Long Term Loan	Long Term	0.85	ACUITE B+/ Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.20	ACUITE B+ / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.03	ACUITE B+ / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.32	ACUITE B+ / Stable (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	4.30	ACUITE A4 (Reaffirmed)
Proposed	Not Applicable	Not Applicable	Not Applicable	1.15	ACUITE B+ / Stable (Reaffirmed)

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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