

Press Release

Electronic Enterprises (India) Private Limited

August 06, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs.10.00 Cr.
Long Term Rating	ACUITE B+/Stable (Reaffirmed)
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite 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**) on the Rs. 10.00 Crore bank facilities of ELECTRONIC ENTERPRISES (INDIA) PRIVATE LIMITED (EEPL). The outlook is '**Stable**'.

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

Analytical Approach

Acuite has considered the standalone business and financial risk profile of EEPL to arrive at this rating.

Key Rating Drivers:

Strengths

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

EEPL 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. Acuite 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**

EEPL has established relations of more than six decades with its customers and suppliers. EEPL generates 70-80 percent of its revenue through government organisations including Directorate of Purchase & Stores, Nuclear Power Corporation of India Limited (rated at 'ACUITE AAA/Stable'), Indian Institute of Science Education & Research and Electronics Corporation of India Limited, among others. EEPL has an order book of about Rs.6.00 crore as of June, 2019 for execution over next 09 months giving revenue visibility. Acuite believes that long track record of operations with reputed clientele and repeat orders are expected to support in improvement of its business risk profile further over the medium term.

Weaknesses

- **Modest scale of operations**

Despite being in business since 1952, the company's scale of operations remained modest with revenues of Rs.12.76 crore in FY2019 (Prov) against Rs.11.61 crore in FY2018. Modest revenues are owing to revenue concentration with Government organisations to an extent of about 80 per cent, and long process and approval cycles in the process. Its modest order book of about Rs. 6.00 crore as of June, 2019 for deliverables over 09 months is expected to keep the revenue profile at modest levels over the medium term.

• Average financial risk profile

EEPL has an average financial risk profile marked by healthy gearing and moderate total outside liabilities to tangible net worth (TOL/TNW) though partly constrained by modest net worth and moderate debt protection metrics. Its gearing and TOL/TNW are at about 1 time and 1.2 times historically due to steady revenues and business model. However, its net worth is modest at Rs.4.37 crore as of March 31, 2019 (provisional), due to modest scale of operations and accruals. The total debt of Rs 4.54 Crore which consists of Rs.0.34 crore as long term debt from the bank and Rs. 4.19 crore as short term bank borrowings. Its debt protection metrics are moderate with interest coverage ratio and net cash accruals to total debt (NCA/TD) of 1.73 and 0.11 times for FY2019 (Prov) against 1.57 and 0.10 times for FY2018. The net cash accruals of the company stood at Rs.0.52 crore for FY2019 (Prov) against repayment obligation of Rs.0.08 crore. Acuite believes that with no significant debt-funded capex and steady revenues, the financial risk profile is expected to be at similar levels over the medium term.

• Moderately working capital intensive operations

EEPL's operations are working capital intensive as evident from Gross Current Assets (GCA) of 243 days as on March 31, 2019 (Prov) as against 207 days as on March 31, 2018. Its working capital cycle is long at 170 days in FY19 (Prov) (FY18: 140 days); this is primarily due to high inventory days (FY19 (Prov): 67; FY18: 70). The company offers credit of about one to two months to its clientele, which resulted in receivable days of about 31 as on March 31, 2019 (67 days in FY2017). Working capital intensive operations lead to high utilisation of its working capital limits at about 93 percent over the past six months ended June 2019.

• Foreign exchange fluctuation risk

EEPL 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.

Liquidity Position:

Liquidity of the company is stretched marked by modest cash accruals of Rs.0.52 crore for FY2019 (Prov). Further, cash accruals are expected to be in the range of Rs.0.60 crore over the medium term against which its repayment obligations are miniscule. Operations are working capital intensive due to stretch in debtors for 134 days with gross current asset (GCA) of about 200 days historically. This lead to high utilisation of its bank lines at about 93 per cent for the last six months through June, 2019. Its current ratio stood at 1.35 times in FY2019 (Prov). Acuite believes that with modest accruals and working capital intensive operations, liquidity continues to be at stretched levels over the medium term.

Outlook: Stable

Acuite believes that EEPL 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 the profitability and sustaining the capital structure. Conversely, the outlook may be revised to 'Negative' in case of any further stretch in its working capital management leading to deterioration of its liquidity.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	12.76	11.61	11.39
EBITDA	Rs. Cr.	1.42	1.06	1.01
PAT	Rs. Cr.	0.28	0.15	0.08
EBITDA Margin	(%)	11.11	9.16	8.85
PAT Margin	(%)	2.23	1.27	0.74
ROCE	(%)	13.69	12.23	11.04
Total Debt/Tangible Net Worth	Times	1.04	0.93	0.94
PBDIT/Interest	Times	1.73	1.57	1.58
Total Debt/PBDIT	Times	3.20	3.24	3.41
Gross Current Assets(Days)	Days	198	207	198

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.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	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
24-Dec-2018	Cash Credit	Long Term	4.20	ACUITE B+ / Stable (Reaffirmed)
	Term Loans	Long Term	0.03	ACUITE B+ / Stable (Reaffirmed)
	Term Loans	Long Term	0.32	ACUITE B+ / Stable (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	4.30	ACUITE A4 (Reaffirmed)
	Proposed	Long Term	1.15	ACUITE B+ / Stable (Reaffirmed)
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	Short 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:

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