

Press Release

Electronic Enterprises (India) Private Limited

November 02, 2020



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and the 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**'.

About Company

EEPL was a Mumbai-based partnership firm, established in 1952 and later 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. EEPL 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 the rating.

Key Rating Drivers

Strengths

- Established track record of operation and experienced management**

EEPL has an established track record of operation of over 6 decades in the industry. The promoters, Mr. Arun Wagle, Mr. Ashok Patankar and Mr. Ravindra Thosar, have an experience of over 6 decades in the industrial and nuclear instrument industry. EEPL has established relationship with several reputed government organisations such as 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.

Acuite believes that EEPL will continue to benefit over the medium term from the extensive experience of the partners, long track record of operations with strong and reputed clientele.

Weaknesses

- Average financial risk profile**

The financial risk profile of the company is marked by low net worth, modest gearing (debt-equity) and debt protection metrics. The tangible net worth of the company stood at Rs.4.42 crore as on 31 March, 2020 (Provisional) as compared to Rs.4.13 crore as on 31 March, 2019. The total debt of the company as on 31 March, 2020 (Provisional) stood at Rs.4.46 crore, which includes long term debt of Rs.0.23 crore and short term debt of Rs.4.23 crore. The gearing (debt-equity) stood moderate at 1.01 times as on 31 March, 2020 (Provisional) as well as on 31 March, 2019. Interest Coverage Ratio stood at 1.58 times for FY2020 (provisional) as against 1.57 times for FY2019. Total Outside Liabilities/Total Net Worth (TOL/TNW) also stood modest at 1.25 times as on 31 March, 2020 (Provisional) as compared to 1.30 times on 31 March, 2019. Net Cash Accruals to Total Debt (NCA/TD) stood low at 0.08 times for FY2020 (Provisional). Debt Service Coverage Ratio (DSCR) stood at 1.35 times in FY2020 (Provisional) as well as in FY2019.

Acuite believes that the financial risk profile is expected to improve, however, remain average on account

of low net worth and intensive working capital.

• Working capital Intensive nature of operations

The company operates in a working capital intensive nature of operations marked by high Gross Current Assets (GCA) days of 254 days in FY2020 (Provisional) and 194 days in FY2019. The increase in GCA is majorly on account of increase in receivable days to 128 days for FY2020 (Provisional) as against 123 days for FY2019. Further, the inventory days has also increased to 85 days in FY2020 (Provisional) from 69 days in FY2019. The average bank limit utilisation stood at ~82 percent for the past six months ending September 2020.

Acuite believes that efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Rating Sensitivities

- Significant improvement in revenues while maintaining profitability
- Any further elongation of the working capital cycle

Material Covenants

None

Liquidity Position: Stretched

EEPL has stretched liquidity marked by low net cash accruals and high bank limit utilisation. The company has generated cash accruals of Rs.0.35-0.40 crore during the last three years through 2018-20, while its maturing debt obligations were in the range of Rs.0.08-0.10 crore over the same period. The working capital cycle of the company is intensive, marked by Gross Current Assets (GCA) days of 254 days in FY2020 (Provisional) as against 194 days in FY2019. The average bank limit utilisation stood at ~82.00 percent for the past eight months ending September 2020. The company maintained unencumbered cash and bank balances of Rs.1.41 crore as on March 31, 2020 (Provisional). The current ratio of SSBC stood at 1.52 times as on March 31, 2020 (Provisional). Acuite believes that the liquidity of SSBC is likely to remain stretched over the medium term.

Outlook: Stable

Acuite believes that EEPL will maintain a 'Stable' outlook in the medium term backed by its promoter's extensive experience and long track record of operations. The outlook may be revised to 'Positive' in case of a significant improvement in its revenues along with improvement in profitability and capital structure. Conversely, the outlook may be revised to 'Negative' if there is any further stretch in its working capital cycle leading to the deterioration of financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	11.84	12.71
PAT	Rs. Cr.	0.14	0.16
PAT Margin	(%)	1.16	1.28
Total Debt/Tangible Net Worth	Times	1.01	1.01
PBDIT/Interest	Times	1.58	1.57

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

Not Applicable.

Any other information

None.

Applicable Criteria

- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.htm>
- Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/view-rating-criteria-55.htm>
Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
06-August-2019	Cash Credit	Long Term	4.20	ACUITE B+/Stable (Reaffirmed)
	Term Loan	Long Term	0.03	ACUITE B+/Stable (Reaffirmed)
	Term Loan	Long Term	0.32	ACUITE B+/Stable (Reaffirmed)
	Bank Guarantee	Short Term	4.30	ACUITE A4 (Reaffirmed)
	Proposed Bank Facility	Long Term	1.15	ACUITE B+/Stable (Reaffirmed)
24-Dec-2018	Cash Credit	Long Term	4.20	ACUITE B+/Stable (Reaffirmed)
	Term Loan	Long Term	0.03	ACUITE B+/Stable (Reaffirmed)
	Term Loan	Long Term	0.32	ACUITE B+/Stable (Reaffirmed)
	Bank Guarantee	Short Term	4.30	ACUITE A4 (Reaffirmed)
	Proposed Bank Facility	Long Term	1.15	ACUITE B+/Stable (Reaffirmed)
07-Dec-2017	Cash Credit	Long Term	3.50	ACUITE B+/Stable (Reaffirmed)
	Term Loan	Long Term	0.11	ACUITE B+/Stable (Reaffirmed)
	Term Loan	Long Term	0.54	ACUITE B+/Stable (Reaffirmed)
	Bank Guarantee	Short Term	5.00	ACUITE A4 (Reaffirmed)
	Proposed Bank Facility	Long Term	0.85	ACUITE B+/Stable (Reaffirmed)

***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 Loan	14-Feb-2016	13.15	14-Feb-2023	0.03	ACUITE B+/Stable (Reaffirmed)
Term Loan	30-June-2016	13.15	30-June-2023	0.32	ACUITE B+/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	4.30	ACUITE A4 (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.15	ACUITE B+/Stable (Reaffirmed)

Contacts

Analytical	Rating Desk
<p>Aditya Gupta Vice President - Corporate and Infrastructure Sector Tel: 022 49294041 aditya.gupta@acuite.in</p> <p>Rupesh Patel Senior Analyst – Rating Operations Tel: 022 49294044 rupesh.patel@acuite.in</p>	<p>Varsha Bist Senior Manager - Rating Desk Tel: 022 49294011 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

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