

Press Release

Electronic Enterprises (India) Private Limited

January 28, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	5.70	ACUITE B+ Stable Reaffirmed	-
Bank Loan Ratings	4.30	-	ACUITE A4 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	10.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

* Refer Annexure for details

Rating Rationale

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

Rationale for rating reaffirmation

The rating reaffirmation consider the comforts drawn from stable business risk profile, established track record of operations and experience of management. However, the above strengths are partly offset by average financial risk profile, working capital intensive operations and stretched liquidity position.. Acuite expects the business and financial performance to improve over the medium term due to improvement in the Covid-19 scenario.

About the 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. 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 the rating.

Key Rating Drivers

Strengths

Established track record of operation and experienced management

EEPL was a Mumbai based partnership firm established in 1952 and later incorporated as a private limited company in 1995. The company has an established track record of operation of over 6 decades in the industry. The company is promoted by Mr. Arun Prabhakar Wagle,

Mr. Ashok Anant Patankar and Mr. Ravindra Bajirao Thosar, who have an experience of over 6 decades in the industrial and nuclear instrument industry. EEPL has established relationship with several reputed government organisation 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.

Acuité 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 stood average marked by modest net worth, low gearing and moderate debt protection metrics. The tangible net worth stood at Rs.4.32 crore as on March 31, 2021 as against Rs.4.18 crore as on March 31, 2020. The improvement in net worth is due to accretion of profits in the reserve. The total debt of the company stood at Rs.4.54 crore includes Rs.0.23 crore of long term debt and Rs.4.31 crore of short term debt as on March 31, 2021 (Prov.). The gearing (debt-equity) stood at 1.05 times as on March 31, 2021 as compared to 0.76 times as on March 31, 2020. Interest Coverage Ratio stood at 1.47 times for FY2021 as against 1.37 times for FY2020. Debt Service Coverage Ratio (DSCR) stood at 1.41 times for FY2021 as against 1.23 times for FY2020. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.48 times as on March 31, 2021 as against 1.06 times on March 31, 2020. Net Cash Accruals to Total Debt (NCA/TD) also stood at 0.06 times for FY2021 (Prov.) as against 0.08 times for FY2020.

Acuité 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 has an intensive working capital cycle marked by Gross Current Assets (GCA) days of 268 days in FY2021 as against 178 days in FY2020. The high GCA days is due to elongation in the debtor days stood at 156 days in FY2021 as against 82 days in FY2020. Also, inventory days which stood at 100 days in FY2021 as against 80 days in FY2020. The average bank limit utilization stood high at around 82 percent for the last 6 months ended November 2021.

Acuité believes that efficient working capital management will be crucial to the company in order to maintain a healthy risk profile.

Rating Sensitivities

Improvement in the scale of operations while sustaining the profitability margins leading to improvement in overall financial risk profile.

Further stretch in the working capital cycle and liquidity profile of the company.

Material covenants

None.

Liquidity Position: Stretched

The company has stretched liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.0.20-0.40 crore during the last three years through 2019-21, while the maturing debt obligation is in the range of Rs.0.04-0.24 during the same period. The company's working capital operation stood intensive marked by GCA days of 268 days in FY2021 as against 178 days in FY2020. The company maintains an unencumbered cash and bank balances of Rs.0.49 crore as on March 31, 2021. The current ratio of the company stood at 1.17 times as on March 31, 2021. The average bank limit utilization stood high at around 82 percent for the last 6 months ended November 2021.

Outlook: Stable

Acuité 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 an

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.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	9.83	11.75
PAT	Rs. Cr.	0.14	0.04
PAT Margin	(%)	1.47	0.33
Total Debt/Tangible Net Worth	Times	1.05	0.76
PBDIT/Interest	Times	1.47	1.37

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 Entity: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 Nov 2020	Term Loan	Long Term	0.32	ACUITE B+ Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	1.15	ACUITE B+ Stable (Reaffirmed)
	Cash Credit	Long Term	4.20	ACUITE B+ Stable (Reaffirmed)
	Term Loan	Long Term	0.03	ACUITE B+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	4.30	ACUITE A4 (Reaffirmed)
06 Aug 2019	Proposed Bank Facility	Long Term	1.15	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)
	Cash Credit	Long Term	4.20	ACUITE B+ Stable (Reaffirmed)
	Cash Credit	Long Term	4.20	ACUITE B+ Stable (Reaffirmed)

24 Dec 2018	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)
22 Jul 2016	Cash Credit	Long Term	3.50	ACUITE B+ Stable (Assigned)
	Term Loan	Long Term	0.54	ACUITE B+ Stable (Assigned)
	Term Loan	Long Term	0.11	ACUITE B+ Stable (Assigned)
	Proposed Bank Facility	Long Term	0.85	ACUITE B+ Stable (Assigned)
	Bank Guarantee	Short Term	5.00	ACUITE A4 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of Maharashtra	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	4.30	ACUITE A4 Reaffirmed
Bank of Maharashtra	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.70	ACUITE B+ Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.40	ACUITE B+ Stable Reaffirmed
Bank of Maharashtra	Not Applicable	Term Loan	31-03-2021	7.50	31-03-2024	0.60	ACUITE B+ Stable Reaffirmed

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About Acuité Ratings & Research

Acuité Ratings & Research 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 8,850 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 Kanjurmarg, Mumbai.

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