

Press Release

Electronic Enterprises (India) Private Limited

March 15, 2023



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	-	-

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 takes into account the stable operating performance of the company in FY2022. The operating income of the company improved and stood at Rs.17.50 crore in FY2022 as against Rs.9.83 crore in FY2021. However, the operating margin of the company declined to 5.73 percent in FY2022 as against 9.85 percent in FY2021. The profitability margins declined on account of increase in raw material costs followed by the industry disruption on account of COVID and hurdles in logistic. Further, the company has recorded a revenue of Rs.9.65 crore till October 2022. However, the above strengths are partly offset by average financial risk profile, working capital intensive operations and stretched liquidity position. Acuite believes that EEPL's ability to improve the scale of operations leading to an improvement in the financial risk profile of the company will remain a key rating monitorable.

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, 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

Moderate Financial Risk Profile

The financial risk profile of the company stood moderate marked by modest net worth, low gearing and moderate debt protection metrics. The tangible net worth stood at Rs.4.52 crore as on March 31, 2022 as against Rs.4.32 crore as on March 31, 2021. The improvement in net worth is due to accretion of profits to reserves. The company follows a conservative leverage policy reflected in its peak gearing levels of 1.08 times as on March 31, 2022 as compared to 1.05 times as on March 31, 2021. The total debt of the company which stood at Rs.4.90 crore includes Rs.0.12 crore of long term debt (Vehicle loans) and Rs.4.78 crore of short term debt as on March 31, 2022. The debt protection metrics are moderate as the interest Coverage Ratio stood at 1.78 times for FY2022 as against 1.47 times for FY2021 and debt Service Coverage Ratio (DSCR) stood at 1.45 times for FY2022 as against 1.40 times for FY2021. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.93 times as on March 31, 2022 as against 1.48 times on March 31, 2021. Net Cash Accruals to Total Debt (NCA/TD) also stood at 0.09 times for FY2022 as against 0.06 times for FY2021.

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 working capital management of the company is intensive marked by GCA days of 189 days in FY2022 as against 268 days in FY2021. The inventory days stood at 48 days in FY2022 as against 100 days in FY2021. Also, the debtor days stood at 129 days in FY2022 as against 156 days in FY2021. The working capital intensive nature of operations has led to higher reliance on working capital limits as the average bank limit utilization stood high at around 87.43 percent for the last 10 months ended October 2022.

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 Adequate

The company has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.0.43 crore during FY2022 while the maturing debt obligation is in the range of Rs.0.01-0.11 during the same period. Going

ahead, the net cash accrual is expected to be in the range of Rs.0.55-0.78 crore and the debt obligations in the range of Rs. 0.01-0.11 crore. The company maintains an unencumbered cash and bank balances of Rs.0.39 crore as on March 31, 2022. The current ratio of the company stood at 1.05 times as on March 31, 2022. The average bank limit utilization stood high at around 87.43 percent for the last 10 months ended October 2022.

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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	17.50	9.83
PAT	Rs. Cr.	0.23	0.14
PAT Margin	(%)	1.34	1.44
Total Debt/Tangible Net Worth	Times	1.08	1.05
PBDIT/Interest	Times	1.78	1.47

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>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
28 Jan 2022	Term Loan	Long Term	0.60	ACUITE B+ Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	0.40	ACUITE B+ Stable (Reaffirmed)
	Cash Credit	Long Term	4.70	ACUITE B+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	4.30	ACUITE A4 (Reaffirmed)
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)

Annexure - Details of instruments rated

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

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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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