

Press Release

Sahasra Electronics Private Limited

June 04, 2018

Rating Reaffirmed



| | |
|-------------------------------------|-------------------------------|
| Total Bank Facilities Rated* | Rs. 8.00 Cr. |
| Long Term Rating | ACUITE BBB- / Outlook: Stable |
| Short Term Rating | ACUITE A3 |

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed a long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.8.00 crore bank facilities of Sahasra Electronics Private Limited. The outlook is 'Stable'.

The reaffirmation of the rating reflects sustenance of the business and financial risk profile in line with Acuite's estimate for the FY 2018 (refers to financial year, April 1st to March 31st). On provisional basis, the group has reported revenues of about Rs.105 crores in FY2018. The ratings are driven by healthy capital structure, improving business risk profile though underpinned by revenue concentration and moderate working capital intensive operations.

Sahasra Electronics Private Limited (SEPL), incorporated in the year 2001 by Mr. Amrit Manwani and Mr. Narayan. The company is engaged in the manufacturing parts of data processing equipment, PCB Assemblies with Cables, LED lighting fixtures and USB drives. These products are exported from the Noida Special Economic Zone (SEZ) to US, Rwanda, Netherlands, England and Canada. SEPL is primarily an Export Oriented Unit (EOU). The company sells its products in US market through its marketing entities Optima Technologies Assoc., Inc (OTA) and MK Group LLC. It is a part of Sahasra Group.

About the group

Infopower Technologies Limited (ITL) is incorporated in the year 1984 by Mr. Amrit Manwani. ITL is engaged in manufacturing of LED lighting fixtures, parts of data processing units and printed circuit boards (PCB) and other electronic devices.

Sahasra Electronics (Rwanda) Private Limited (SERPL) is a wholly owned subsidiary of SEPL incorporated in the year 2012. It is engaged in manufacturing of LED lights and has a 65% market share in Rwanda. SERPL procures LED fixtures from SEPL (EOU in India) and manufactures LED Bulbs and tubes in Rwanda. The LED lights are marketed under Sahasra's own brand name.

Analytical Approach

For Analytical purpose, Acuite has considered the consolidated business and financial risk profile of Infopower Technologies Private Limited (ITL), Sahasra Electronics Private Limited and Sahasra Electronics (Rwanda) Private Limited together referred as to as the Sahasra group. The consolidation is on account of common ownership, similarities in the lines of business and financial linkages.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

The promoter of the Sahasra group Mr. Amrit Manwani possess more than 3 decades of experience in the electronics industry. He graduated from IIT Khargpur and has worked with several companies such as Infosys, L&T and HCL. Promoter's rich experience in the industry has helped the group to

maintain healthy relations with customers and suppliers. The group manufactures its products to the renowned clients such as Sony India Private Limited, Philips, HP among others. During FY2018, ITL formed Joint Venture (JV) with the Mitac Holdings Corp (Mitac) to manufacture computer serves, PVR dash casms, point of sale systems among others. As on 31 March, 2018, Mitac is holding 33 percent of shares in ITL. Acuite believes that, Sahasra group operations will improve on account of increase in product portfolio in the medium term.

- **Growth in revenues and healthy profitability levels**

Revenues of the group grew at a compound annual growth rate (CAGR) of 38 percent from Rs.61.52 crore in FY2015 to Rs.118.33 crore in FY2017; for FY2018, on provisional basis the revenues are about Rs.105 crores which is in line with Acuite's estimate. The revenues are driven by continued customer addition, increasing product portfolio and vintage clients. Profitability of the group is in line with estimates though oscillating at around 15-18 per cent over the last three years through FY2017. Acuite believes that, revenues of the group is expected to improve in the medium term on account of expected expansion of its business in African countries coupled with increase in its product portfolio on account of JV with Mitac Holdings Corp for manufacturing computer servers, PVR dash cams and point of sale systems.

- **Healthy Financial risk profile**

Financial risk profile of the company is healthy which is reflected by strong gearing (Debt to Equity ratio), healthy coverage indicators and total outside liabilities to total net worth (TOL/TNW). Gearing (Debt to Equity ratio) is strong at 0.25 times as on 31 March, 2017 marked by healthy network of Rs.54.32 crore as on 31 March, 2017 as against 46.32 crore in FY2016. Interest Coverage Ratio (ICR) and Debt Service Coverage Ratio (DSCR) is healthy at 15.65 times and 11.63 times respectively in FY2017. Total outside liabilities to total network (TOL/TNW) is comfortable at 0.69 times as on 31 March, 2017. Further, financial risk profile of the group will remain to be healthy in FY2018 on account of Rs.19 crore investments by Mitac Holding Corp. ICR and DSCR ratio will be around 11.62 percent and 4.34 percent in FY2018 (Provisional). Further, TOL/TNW is healthy at 0.34 times in FY2018. Though the group plans a moderate capex of about Rs.3 crores in FY19-FY20, however, the expected cash accruals and the investments made by JV partner is expected to keep the liquidity profile comfortable. Acuite believes that, financial risk profile is expected to be healthy in the medium term on account of healthy net cash accruals and in the absence of major debt funded capital expenditure.

Weaknesses

- **Working capital intensive operations**

Operations of the group are working capital intensive marked by high Gross Current Assets (GCA) days of 148 days in FY2017 as against 176 days in FY2016. The same is on account of 71 days of inventory holding period and 65 days of debtors in FY2017. This is mainly on account of extended credit period to its marketing entity (OTA) to about 70-90 days.

- **Customer concentration risk**

During FY2017, of the total revenues generated by the group, around 29 percent of revenues were from the Fortune Marketing Pvt Ltd (Philips Dealers). However, during FY2018, the group didn't receive any orders from the FMPL as it started their own manufacturing unit. However, during FY2018, off take of orders from the Sony India Private Limited helped the group to maintain stable revenue profile. Hence, the group is exposed to customer concentration risk. Further, volatility in orders from the customers is the key rating sensitivity in the medium term

- **Exposure to forex risk**

At a consolidated level, around 60% of the total sales are to foreign buyers. Though most of the sales of the company are hedged by forward contracts, the company continues to remain exposed to long term changes in foreign exchange rates.

Outlook: Stable

Acuite believes that the Sahasra Group will maintain a Stable risk profile on account of its sound

capital structure and healthy profitability indicators. The outlook may be revised to Positive in case of sustained improvement in scale of operations while maintaining its profitability and diversifying its revenue concentration. The outlook may be revised to negative in case of any sharp decline in revenues or any stretch in working capital cycle or any larger than expected debt funded capital expenditure.

About the Rated Entity - Key Financials

| | Unit | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 118.33 | 81.06 | 61.52 |
| EBITDA | Rs. Cr. | 18.77 | 14.05 | 8.76 |
| PAT | Rs. Cr. | 7.89 | 6.18 | 3.36 |
| EBITDA Margin | (%) | 15.86 | 17.33 | 14.24 |
| PAT Margin | (%) | 6.67 | 7.63 | 5.47 |
| ROCE | (%) | 22.67 | 20.31 | 13.32 |
| Total Debt/Tangible Net Worth | Times | 0.25 | 0.26 | 0.20 |
| PBDIT/Interest | Times | 15.65 | 14.60 | 12.89 |
| Total Debt/PBDIT | Times | 0.71 | 0.83 | 0.82 |
| Gross Current Assets (Days) | Days | 148 | 176 | 197 |

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

None

Any other information

"Acuite is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups"

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.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 |
|--------------|---------------------------------|-----------|------------------|-----------------------------------------|
| 05 Jan, 2018 | Packing Credit | Long Term | 7.50 | ACUITE BBB- (Issuer Non Cooperative) |
| | Letter of Credit | Long Term | 0.50 | ACUITE BBB- (Issuer Non Cooperative) |
| 17 Oct, 2016 | Packing Credit | Long Term | 7.50 | ACUITE BBB-/Stable (Assigned) |
| | Letter of Credit | Long Term | 0.50 | ACUITE BBB-/Stable (Assigned) |

***Annexure – Details of instruments rated**

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Crore) | Ratings/Outlook |
|------------------------|------------------|----------------|----------------|-------------------------------|----------------------|
| Packing Credit | Not Applicable | Not Applicable | Not Applicable | 7.50 | ACUITE BBB- / Stable |
| Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 0.50 | ACUITE A3 / Stable |

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About Acuité Ratings & Research:

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