Press Release

Sahasra Electronics Private Limited

November 26, 2019

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 8.00 crore
Long Term Rating	ACUITE BBB-/ Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A3 (Reaffirmed)

** Refer Annexure for details*

Rating Rationale

Acuité has reaffirmed the long-term rating of **'ACUITE BBB-' (read as ACUITE triple B minus)** and the short term rating of **'ACUITE A3' (read as ACUITE A three)** to the Rs. 8.00 crore bank facilities of SAHASRA ELECTRONICS PRIVATE LIMITED (SEPL). The outlook is **'Stable'**.

Sahasra Electronics Private Limited (SEPL) was incorporated in the year 2001 by Mr. Amrit Manwani and Mr. Narayan. The company is engaged in manufacturing of 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

Sahasra group (SG) was established in the year 1984. The group is engaged in manufacturing of LED lighting fixtures, parts of data processing units, printed circuit boards (PCB), LED Bulbs and tubes and other electronic devices. The group comprises of four companies SEPL, Infopower Technologies Limited, Sahasra Electronics (Rwanda) Private Limited and Optima Technology Associates, Inc. in the aforementioned line of business. The group is promoted by Mr. Amrit Manwani and has presence of over three decades in the industry.

Analytical Approach

Acuité has changed the rating approach of Sahasra Group (SG). Earlier, the business and financial risk profiles of Sahasra Electronics Private Limited, Infopower Technologies Limited and Sahasra Electronics (Rwanda) Limited were consolidated. At present, Acuité has considered the consolidated view of business and financial risk profiles of Sahasra Electronics Private Limited, Infopower Technologies Limited, Sahasra Electronics (Rwanda) Limited and Optima Technology Associates, Inc. The consolidation is in view of common management, shared brand name, operational synergies and financial synergies within the group. Extent of consolidation: Full.

Key Rating Drivers

Strengths

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

The promoter of the Sahasra group Mr. Amrit Manwani has more than three decades of experience in the electronics industry. He graduated from IIT Kharagpur 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 sells 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, and point of sale systems among others. As on 31 March, 2019, Mitac is holding 33.33 per cent shareholding in ITL.

Acuité believes that the extensive experience of the promoters will strengthen the business of the group over the medium term.

- **Healthy financial risk profile**

The financial risk profile of the group is healthy marked by moderate net worth, healthy gearing, healthy debt protection metrics and coverage indicators.

The net worth of SG is moderate, estimated at around Rs. 93.56 crore as on 31 March, 2019. The net worth levels have seen improvement over the last three years through FY2019 on account of healthy accretion to reserves as well as equity infusion during the same period.

The growth has followed a conservative financial policy in the past, the same is reflected through its peak gearing and total outside liabilities to tangible net worth (TOL/TNW) levels of 0.33 times and 0.73 times as on March 31, 2017. The leverage levels continue to remain low at around 0.21 times as on March 31, 2019. SG's moderate cash accruals to the tune of about Rs. 12.52 crores have supported in minimizing the reliance on external debt lead to healthy gearing and debt levels of 0.21 times and Rs. 19.86 crores as on March 31, 2019. Total debt comprises of long-term borrowings of Rs. 3.12 crores, unsecured loans from related parties of around Rs. 0.52 crores and working capital borrowings of Rs. 16.22 crores. SG's cash accruals over the next two years through 2021 are estimated to remain in the range of Rs. 14.56 crores to Rs. 16.39 crores which are comfortable support about 70 per cent of the routine capex and incremental working capital requirements. As a result, the gearing is expected to remain healthy at around 0.14 times as on March 31, 2021 on back of absence of any major debt funded capex plan.

The revenues of the group increased by around 20.38 per cent at Rs. 150.46 crore during 2018-19, while its operating margins marginally deteriorated from 14.32 per cent in FY2018 to 12.36 per cent in FY2019. The healthy profitability levels coupled with low debt levels has led to healthy debt protection measures. The NCA/TD and interest coverage ratio for FY 2019 were healthy at 0.63 per cent and 12.79 times, respectively.

The group imports 73 per cent of its total raw material requirements, while export constitutes 40 per cent of its total sales, thereby providing a natural hedge to certain extent.

Acuité believes that the financial risk profile of the company is expected to remain healthy on account of healthy accretion to reserves.

Weaknesses

- **Working capital intensive nature of operations**

SG's operations are working capital intensive in nature as reflected by its gross current asset (GCA) days of around 215 days as on March 31, 2019. The group imports a significant portion of its raw material requirements and therefore maintains a raw material inventory of around 74 days. The group also maintains 70 days of finished goods of inventory in order to cater to spot orders from customers. On the other hand, the group gets a limited credit period from its suppliers, leading to higher reliance on working capital limits. Further, it allows a credit period of around 60 days to its customers. SG's working capital limits over the last twelve months period was utilized at an average of 55 per cent, while the peak utilization was high at around 97 per cent during the same period. Acuité expects the operations of the group to remain working capital intensive on account of the high inventory levels maintained by the company to cater to spot orders offered to acquire new customers.

Rating Sensitivity

- Significant improvement in its working capital management with GCA days of less than 160 days.
- Increase in debt levels, resulting in deterioration of financial risk profile.
- Decline in profitability levels thereby impacting group's debt coverage indicators.

Material Covenants
None

Liquidity: Adequate

The group has adequate liquidity profile marked by healthy net cash accruals as against no significant debt obligations. The company generated cash accruals of Rs. 12.52 crore for FY2019, while there are no significant debt obligations for the same period. The cash accruals of the group are estimated to remain around Rs. 14.56 crore to Rs. 17.77 crore during FY2020-22 against repayment obligations of around Rs. 0.25 crore. SG's working capital operations are intensive marked by gross current asset (GCA) of 215 days for FY2019. The group maintains unencumbered cash and bank balances of Rs. 3.23 crore as on 31 March, 2019. The current ratio stood at 2.03 times as on 31 March, 2019. Acuité believes that the liquidity of the group is likely to remain adequate over the medium term on account of healthy cash accruals against debt repayments over the medium term.

Outlook: Stable

Acuité believes that SG will maintain a 'Stable' outlook and will continue to derive benefit over the medium term due to its 'extensive experience of promoters'. The outlook may be revised to 'Positive', if the group demonstrates substantial and sustained growth in its revenues from the current levels while maintaining its capital structure. Conversely, the outlook may be revised to 'Negative' if the group generates lower-than-anticipated cash accruals, most likely as a result of sharp decline in operating margins, or deterioration in working capital leading to higher reliance on external borrowings thereby impacting its financial risk profile, particularly its liquidity.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	150.46	124.99	123.34
EBITDA	Rs. Cr.	18.59	17.90	19.53
PAT	Rs. Cr.	7.22	8.32	8.02
EBITDA Margin	(%)	12.36	14.32	15.83
PAT Margin	(%)	4.80	6.66	6.50
ROCE	(%)	12.95	14.53	31.07
Total Debt/Tangible Net Worth	Times	0.21	0.16	0.33
PBDIT/Interest	Times	12.79	13.03	12.99
Total Debt/PBDIT	Times	1.05	0.78	0.96
Gross Current Assets (Days)	Days	215	246	165

Status of non-cooperation with previous CRA (if applicable)
Not Applicable

Any other information
Not Applicable

Applicable Criteria
- Default Recognition - https://www.acuite.in/view-rating-criteria-17.htm
- Financial Ratios And Adjustments -https://www.acuite.in/view-rating-criteria-20.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-59.htm
- Consolidation of Companies - https://www.acuite.in/view-rating-criteria-60.htm

Note on complexity levels of the rated instrument
https://www.acuite.in/criteria-complexity-levels.htm

Rating History (Up to previous three years)

Date	Name of the instrument/ facilities	Term	Amount (Rs. Cr.)	Ratings/ Outlook
20 Aug. 2019	Packing Credit	Long-term	7.50	ACUITE BBB- Issuer not co-operating*
	Letter of Credit	Short-term	0.50	ACUITE A3 Issuer not co-operating*
04 Jun. 2018	Packing Credit	Long-term	7.50	ACUITE BBB- (Reaffirmed)
	Letter of Credit	Short-term	0.50	ACUITE A3 (Reaffirmed)
05 Jan. 2018	Packing Credit	Long-term	7.50	ACUITE BBB- Issuer not co-operating*
	Letter of Credit	Short-term	0.50	ACUITE A3 Issuer not co-operating*
17 Oct. 2016	Packing Credit	Long-term	7.50	ACUITE BBB-/ Stable (Assigned)
	Letter of Credit	Short-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. Cr.)	Ratings/Outlook
Packing Credit	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE BBB- (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A3 (Reaffirmed)

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About Acuité Ratings & Research:

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