

Press Release

20 March, 2017

Electronica Tungsten Limited

Rating Assigned

Total Bank Facilities Rated *	Rs. 37.70 Cr.
Long Term Rating	SMERA BBB-/ Outlook: Stable
Short Term Rating	SMERA A3

** Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-**' (read as **SMERA BBB minus**) and short term rating of '**SMERA A3**' (read as **SMERA A three**) on the Rs. 37.70 crore bank facilities of Electronica Tungsten Limited (Blr). The outlook is '**Stable**'.

Electronica Tungsten Limited (ETL), incorporated in 1988 is part of the SRP Electronica Group established in 1972. The other group companies are Electronica Finance, Electronica Hitech Machine Tools Pvt Ltd, Electronica Hi-tech Engineering Pvt Ltd, Electronica Tough Carb Ltd and SRP Tungsten Pvt Ltd. ETL is engaged in the manufacture of tungsten carbide products for metal cutting, forming and mining applications.

Key Rating Drivers

Strengths

- **Experienced and qualified management**

The Directors, Mr. Adwait Shashikant Dharmadhikari, Mr. Rahul Satish Kaskhedikar and Mr. Sujit Sharad Natekar possess more than a decades experience in the metal industry.

- **Moderate financial risk profile**

ETL has moderate financial risk profile marked by networth of Rs.14.92 cr as on 31st March 2016 as compared to Rs.10.65 cr as on 31st March 2015. The gearing of the company stood at 0.99 times as on 31st March 2016 as against 1.99 times as on 31st March 2015. The ICR of the company stood at 2.33 times for FY2015-16 as compared to 2.05 times for FY2014-15. ETL has healthy DSCR of 1.32 times for FY2015-16 as compared to 1.08 times for FY2014-15.

- **Reputed clientele base**

ETL caters to a reputed clientele base in the domestic as well as overseas markets. Its customers include Koso India Private Limited, Forbes & Company Limited, Halliburton Far East Pte Ltd, Worldwide Oilfield Machine Pvt Ltd to name a few. The company has developed long standing relations with the abovementioned customers.

- **Healthy operating margins**

ETL has healthy operating margins marked by EBITDA margin of 14.30 percent in FY2015-16 as compared to 13.76 percent in FY2014-15. The PAT margin stood healthy at 4.20 percent in FY2015-16 as compared to 1.81 percent in FY2014-15.

Weaknesses

- **Foreign currency fluctuation risk**

ETL imports around 30 percent of its raw material requirement (Tungsten trioxide) from China. The company generates around 35 percent revenue from exports. As a result, the company is exposed to foreign exchange fluctuation risk in the absence of hedging mechanism.

- **Working capital intensive operations**

ETL has working capital intensive operations marked by GCA days of 185 in FY2015-16 as compared to 215 in FY2014-15 on account of high inventory days of 138 and 153 in FY2015-16 and FY2014-15 respectively. However, the company has low debtor and creditor days of 47 and 48 respectively in FY2015-16. The cash credit utilisation has been 80-85 percent in the past six months.

- **Moderate scale of operations**

ETL has moderate scale of operations marked by revenue of Rs.48.09 cr in FY2015-16 as compared to Rs.48.58 cr in FY2014-15 inspite of an operational track record of almost three decades.

Analytical Approach

SMERA has considered the consolidated financials of Electronica Tungsten Limited and SRP Tungsten Limited to arrive at the rating.

Outlook: Stable

SMERA believes that ETL will maintain a stable outlook over the medium term on account of its experienced management and established relations with reputed clients. The outlook may be revised to Positive in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining comfortable debt protection metrics. Conversely, the outlook may be revised to Negative in case of lower-than-expected growth in revenues and profitability or deterioration in the financial risk profile.

About the Group

The group was established in 1973 to manufacture EDM machines. Subsequently, it diversified into manufacturing of sheet metal products, tungsten carbide products among others.

About the Rated Entity - Key Financials

For FY2015-16, the company reported profit after tax (PAT) of Rs.2.02 cr on operating income of Rs.48.09 cr, as compared to PAT of Rs.0.88 cr on operating income of Rs.48.55 cr in the previous year. The networth of the company stood at Rs.14.92 cr as on 31 March 2016 as compared to Rs.10.65 cr as on 31 March 2015.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*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	10.00	SMERA BBB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.70	SMERA BBB- / Stable
Term loans	Not Applicable	Not Applicable	7-May-2018	0.21	SMERA BBB- / Stable
Term loans	Not Applicable	Not Applicable	7-Jan-2021	0.91	SMERA BBB- / Stable
Term loans	Not Applicable	Not Applicable	7-Nov-2020	0.14	SMERA BBB- / Stable
Term loans	Not Applicable	Not Applicable	1-Feb-2019	1.89	SMERA BBB- / Stable
Term loans	Not Applicable	Not Applicable	1-Feb-2020	0.57	SMERA BBB- / Stable
Working capital demand loan (WC DL)	Not Applicable	Not Applicable	1-Mar-2019	0.58	SMERA BBB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.30	SMERA BBB- / Stable
Term loans	Not Applicable	Not Applicable	15-Jun-2018	0.71	SMERA BBB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.19	SMERA A3
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA BBB- / Stable
Proposed Working Capital Demand Loan	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA BBB- / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A3
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A3
Proposed Letter of Credit	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA A3

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ABOUT SMERA

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