

Press Release

26 April, 2017

Aristos Electronic Manufacturing Services Private Limited

Rating Assigned

Total Bank Facilities Rated *	Rs.10.20 Cr
Long Term Rating	SMERA B-/ Outlook: Stable
Short Term Rating	SMERA A4

Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B-** (read as **SMERA B minus**)' and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 10.20 crore bank facilities of Aristos Electronic Manufacturing Services Private Limited. The outlook is '**Stable**'.

Aristos Electronic Manufacturing Services Private Limited (AEMSPL), incorporated in 2008, is a Bangalore-based company promoted by Mr Vivek Chandra. The company is engaged in the assembling of printed circuit boards apart from manufacturing Mobile Point of Sale (POS) and GPS systems. The company caters mainly to IT companies in Bangalore, Chennai and Visakapatnam.

Key Rating Drivers

Strengths

- **Experienced management**

The promoter, Mr. Vivek Chandra has around a decade of experience in the assembling of PCBs.

- **Reputed clientele**

The company caters to major IT companies such as TCS, Wipro and Tech Mahindra which constitute around 10 per cent of the total revenue. The company has around 75 customers spread across Bangalore, Chennai and Visakhapatnam. Some of the reputed customers are Ezetop Mobile Solutions Private Limited, Benstar Power Technologies, Fossil Shale Embedded Technologies Pvt Ltd among others.

Weaknesses

- **Fall in revenue**

As per the provisional financials for 11 months ended February 2017, the company booked revenue of ~ Rs.4 cr as compared to Rs 18.42 cr in FY2015-16. The fall in revenue is mainly on account of deferment of orders in FY2016-17 of large customers.

- **Working capital intensive operations**

The operations are working capital intensive as reflected in the gross current assets (GCA) of 284 days in FY2015-16 as against 277 days in FY2014-15. The high GCA days emanates from the collection period and inventory holding period of 84 days and 192 days respectively in FY2016. The high inventory days can be attributed to the contract based nature of business. The inventory needs to be maintained for nearly six months as major components (semiconductor chips) are imported from China, Hong Kong and Singapore.

• Modest scale of operations

The operating income stood at Rs.18.42 cr in FY2016 as against Rs 17.32 cr in FY2015. As per provisional financials for 11 months ended February 2017, the company booked revenue of ~ Rs.4 cr.

Analytical Approach

For arriving at the rating, SMERA has considered the standalone business and financial risk profiles of AEMSPL.

Outlook: Stable

SMERA believes that AEMSPL will maintain a stable outlook and continue to benefit over the medium term from the promoters' extensive industry experience. The outlook may be revised to 'Positive' in case of substantial increase in revenue and operating profitability, while improving the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected revenue, profitability or if the company takes on further debt-funded capex weakening the financial risk profile.

About the Rated Entity - Key Financials

For FY2016, AEMSPL reported Profit after Tax (PAT) of Rs.0.24 cr on total operating income of Rs.18.42 cr as compared with PAT of Rs.0.42 cr on total operating income of Rs.17.32 cr in FY2015.

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	7.00	SMERA B- / Stable
Term Loan	Not Applicable	Not Applicable	31 Dec 2021	2.20	SMERA B- / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head –Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in Aniruddha Dhar Rating Analyst Tel: 033-66201212 aniruddha.dhar@smera.in	Varsha Bist, Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.