

Press Release

ELECTRONIC APPLIANCES (EA)

March 06, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 7.00 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 plus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs. 7.00 crore bank facilities of ELECTRONIC APPLIANCES. The outlook is '**Stable**'.

EA is a partnership firm established in 1977. The firm is engaged in trading of Industrial electrical goods and provides automation solutions. It is authorized dealer of Siemens Ltd, Bharat Bijlee, Rittal India Pvt. Ltd.

Key Rating Drivers

Strengths

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

The firm is in operations since 1977. The partners Mr. Anil Rathi is having four decades of experience in the electrical industry and Mr. Karan Rathi is having more than a decade of experience. The partners backed by their experience have been able to maintain long relations with their customers.

- **Average Financial risk profile**

The financial risk profile is average marked by net worth of Rs. 21.06 crore as on 31 March 2017 as compared to Rs. 18.55 crore as on 31 March 2016. This includes unsecured loan of Rs.11.11 crore considered as quasi equity. The adjusted gearing (debt-equity) is 0.29 times as on 31 March 2017 as against 0.14 times as on 31 March 2016. The Interest Coverage Ratio (ICR) stood at 1.30 times in FY2017 compared to 1.37 times in FY2016. The Debt Service Coverage Ratio (DSCR) stood at 1.24 times in FY2017 and 1.37 times in FY2016. The Total Outstanding Liabilities to Total Net Worth (TOL/TNW) increased to 0.64 times as on 31 March 2017 and 0.58 times as on 31 March 2016.

Weaknesses

- **Uneven revenue trend and decline in PAT margins**

The revenue of the firm has declined to 46.56 crore in FY2017 as against 48.47 crore in FY2016. There is decline in PAT margins to 0.35 times in FY2017 as against 0.43 times in FY2016 on account of increase in finance cost

- **Working capital intensive nature of operation**

The operations are working capital intensive marked by high Gross Current Asset (GCA) days of 236 in FY2017 as against 187 days in the previous year. The GCA days are mainly dominated by high debtor days of 88 in FY2017 as against 126 days in FY2016. The average bank limit utilisation for the past six months stood at 75 percent. SMERA believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

- **Competitive and fragmented industry**

EA is exposed to competition from several organized as well as non-organized players in the industry affecting its margins.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of EA to arrive at the rating.

Outlook: Stable

SMERA believes that EA will maintain a 'Stable' outlook in the medium term on account of its experienced management. The outlook may be revised to 'Positive' if the firm registers higher than expected revenue and liquidity position while maintaining profitability margins. Conversely the outlook will be revised to 'Negative' in case of significant decline in revenue and profitability or higher than expected debt funded working capital requirement leading to strain on its debt servicing ability.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	46.56	48.47	35.00
EBITDA	Rs. Cr.	2.29	1.72	1.44
PAT	Rs. Cr.	0.16	0.21	0.07
EBITDA Margin	(%)	4.91	3.54	4.12
PAT Margin	(%)	0.35	0.43	0.21
ROCE	(%)	12.61	11.23	20.24
Total Debt/Tangible Net Worth	Times	0.29	0.14	0.15
PBDIT/Interest	Times	1.30	1.44	1.37
Total Debt/PBDIT	Times	1.76	0.95	1.03
Gross Current Assets (Days)	Days	236	187	227

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.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	6.50	SMERA B+ / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4

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ABOUT SMERA

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