



**Press Release**  
**ELECTRO WAVES ELECTRONICS PRIVATE LIMITED**  
**October 06, 2023**  
**Rating Assigned**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.00	ACUITE B+   Stable   Assigned	-
Bank Loan Ratings	11.00	-	ACUITE A4   Assigned
Total Outstanding Quantum (Rs. Cr)	26.00	-	-

**Rating Rationale**

Acuite has assigned its long term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 26.00 Cr bank facilities of Electro Waves Electronics Private Limited (EWEPL). The outlook is '**Stable**'.

**Rating Rationale**

The rating assigned takes into account the long track record of operations of the company and extensive experience of the promoter in the electronics manufacturing industry. The rating also factors in the diversified product profile of the company and conservative capital structure. These strengths are partially offset by decline in the scale of operations in FY23, modest level of operating income in Q1FY24 and significant dip in the profitability margins both in FY23 and Q1FY24 owing to high expenses towards R&D and high material cost. The liquidity is also tight, with the net cash accruals closely matching against the current maturities of debt, however low utilisation in the fund based limits provide some cushion to the liquidity. The rating is further constrained by high working capital requirement of the company marked by GCA days of 144 days in FY23, high client concentration risk as the top 10 clients accounted for around 84 per cent of the total revenues in FY2023 and intense competition in the industry.

**About the Company**

Incorporated in 1999, Electro Waves Electronics Private Limited (EWEPL) is engaged in the manufacturing of electronic goods. Initially, it started manufacturing stand-alone UPS systems and domestic inverters at Parwanoo, Himachal Pradesh. Later, it expanded and started manufacturing power converters for railway industry, electrical panels, railway fans, transformers, etc. The company entered into manufacturing LED lights during the year 2015 and manufactures all types of LED lights including custom made lights.

**Analytical Approach**

Acuite has considered the standalone business and financial risk profile of EWEPL to arrive at the rating.

**Key Rating Drivers**

**Strengths**

**Long track record of operations and experienced management**

The company has started operations in 1999 and has an established track record of

operations, spanning over two decades in manufacturing of inverters, power converters, railway fans, electrical panels and LED lights that find application in the railway industry.

Further, the promoters have extensive experience of over two decades that has enabled them to build an in-depth understanding of the market dynamics and the industry. This has helped the company to establish strong relationships with its suppliers and customers.

Acuite believes that the company will continue to benefit from its established track record of operations along with longstanding relationship with its suppliers and customers.

### **Moderate financial risk profile**

The company's financial risk profile is moderate marked by moderate networth base, low gearing and average debt protection metrics. The tangible networth of the company increased to Rs.24.88 Cr as on March 31, 2023 as against Rs.24.01 Cr as on March 31, 2022 due to accretion of profits to reserves. Gearing of the company stood low at 0.60 times as on March 31, 2023 as against 0.66 times as on March 31, 2022. The moderate debt protection metrics of the company is marked by Interest Coverage Ratio (ICR) of 2.19 times as on March 31, 2023 as against 6.80 times as on March 31, 2022; Debt service Coverage Ratio (DSCR) stood at 1.01 times as on March 31, 2023 as against 5.26 times as on March 31, 2022. The coverage indicators declined in FY2023 due to significant dip in profitability during the year. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.87 times as on March 31, 2023 as against 1.19 times as on March 31, 2022. The NCA/TD stood at 0.11 times as on March 31, 2023.

Acuite believes that going forward the financial risk profile of the company will be sustained backed by steady accruals and no major debt funded capex plans.

### **Weaknesses**

#### **Decline in scale of operations and significant dip in profitability margins in FY2023**

The company witnessed ~15% y-o-y decline in the operating income to Rs.57.76 Cr in FY23 as compared to 67.93 Cr in FY2022 majorly due to lower demand from the railways. During FY23, the railways were more focused towards developing Vande Bharat trains, however, EWEPL did not had resources to manufacture equipments and R&D required for Vande Bharat. Further, the average realisation has declined in FY23 whereas the sales volume has increased. The company deals in variety of products right from LED lights (low end prices) to transformers and inverters (high end prices). During FY23, the increased sales volume is majorly towards the lower price products, hence, low realisations. The company has achieved a revenue of only Rs.9.47 Cr in Apr'23-Jun'23. However, the company has orders in hand for various locomotive works amounting to Rs.78.02 Cr, which shall be executed in next 8-9 months, thus providing comfortable revenue visibility in the medium term.

The EBITDA margin of the company declined significantly to 5.82 per cent in FY23 as against 10.59 per cent in FY22 due to increased cost towards in-house R&D activities and increased material cost during the year. The company is expanding its R&D team for manufacturing locomotives, propulsion, EV charging stations, etc. On the back of significant dip in the EBITDA margin, PAT margin also declined to 1.40 per cent in FY23 as against 5.73 per cent in FY22. ROCE declined to 6.90 per cent in FY23 as against 19.04 per cent in FY22. Further, the company has reported an EBITDA level losses of Rs. 3.82 Cr in Q1FY24.

Acuite believes that scalability in operations and improvement in profitability margins would remain a key rating sensitivity.

### **Working capital intensive nature of operations**

The working capital intensive nature of operations of the company is marked by improved but high GCA days of 144 days in FY2023 as against 152 days in FY2022. The inventory days increased to 66 days in FY2023 as against 47 days in FY2022. However, the debtor collection improved to 74 days in FY2023 as against 103 days in FY2022.

Acuite believes that the working capital management of the company will remain almost at the same level over the medium term.

### **High client concentration risk**

EWEPL's revenue from the top 10 clients accounted for around 84 per cent of the total revenues in FY2023, exposing the company to client concentration risk. However, the counterparty risk remains low owing to its reputed clientele and the established relationship with the customers shall ensure repeat business.

## Rating Sensitivities

- Elongation of working capital cycle
- Reduction in order flow from railways
- Ability to ramp up scale of operations along with significant improvement in the profitability margins

## All Covenants

None.

## Liquidity Position

### Adequate

The company's liquidity position is adequate marked by net cash accruals of Rs.1.63 Cr in FY2023 as against current debt obligation of Rs.1.61 Cr over the same period. Further, the company is expected to generate sufficient cash accruals to repay its debt obligation in medium term. The current ratio stood moderate at 1.53 times as on March 31, 2023. Further, the fund-based limits of the company remain utilised at low level at ~17 per cent and non-fund based limits remained utilised at ~87 per cent for six months ended August 2023. The cash and bank balance of the company stood at Rs.0.04 Cr as on March 31, 2023. However, the working capital intensive nature of operations of the company is marked by GCA days of 144 days as on March 31, 2023.

Acuité believes that going forward the company will maintain adequate liquidity position due to expected steady accruals.

## Outlook: Stable

Acuité believes the outlook on EWEPL will remain 'stable' over the medium term backed by experience of its promoters and long operational track record. The outlook may be revised to 'Positive' in case of significant growth in revenue while achieving significant improvement in operating margins, sustenance of capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position or further elongation in its working capital cycle.

## Other Factors affecting Rating

None.

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	57.76	67.93
PAT	Rs. Cr.	0.81	3.89
PAT Margin	(%)	1.40	5.73
Total Debt/Tangible Net Worth	Times	0.60	0.66
PBDIT/Interest	Times	2.19	6.80

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

None.

### Any other information

None.

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

### Rating History :

Not Applicable

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A4   Assigned
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	ACUITE B+   Stable   Assigned
Canara Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE A4   Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	1.99	ACUITE B+   Stable   Assigned
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	5.01	ACUITE B+   Stable   Assigned

## Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 <a href="mailto:mohit.jain@acuite.in">mohit.jain@acuite.in</a>  Sakshi Seksaria Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:sakshi.seksaria@acuite.in">sakshi.seksaria@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

**Disclaimer:** An Acuité 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. Ratings assigned by Acuité 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, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité 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. Ratings assigned by Acuité 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.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.