Rating Rationale

Aishwarya Technologies and Telecom Limited

August 18th 2017

Brickwork Ratings assigns BWR B+/A4 for the Bank Loan Facilities of Rs. 17.50 Crs of Aishwarya Technologies and Telecom Limited ("ATTL" or the "Company")

Particulars

Facility *	Amount (Rs. Crs)	Tenure	Rating^
Fund Based Cash credit	3.00	Long Term	**BWR B+** (Pronounced as BWR B Plus) **Outlook: Stable**
Non Fund Based Letter of Credit Bank Guarantee	8.50 6.00	Short Term Short Term	**BWR A4** (Pronounced as BWR A Four)
Total	**17.50** (INR Seventeen Crores Fifty Lakhs Only)		

^ Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
*Annexure-I provides details of bank wise facilities

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results of the Company upto FY17, publicly available information and information/clarifications provided by the management.

The ratings draw strength from the experienced and professional management, long operational track record, established relationships with reputed clientele and exclusive distributorship arrangements with domestic and international suppliers. The ratings are, however constrained by the Company's moderate scale of operations, below average credit profile marked by EBIDTA being insufficient to meet the interest payments for the last three years, consistent year on year losses, stretched receivables and high inventory position, working capital intensive nature of operations, susceptibility to forex risk and intense competition prevalent in the industry.

Going forward, the ability of the Company to increase its scale of operations, improve its profitability, strengthen its overall credit profile and manage its working capital efficiently would be the key rating sensitivities.

Analytical approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale)

Key Rating drivers

Credit strengths

- **Experienced management**

  The promoters and Board of Directors are professionally qualified and have industry experience spanning over two decades.
- **Established track record and strong domestic and international presence**

  The Company is an established player in the manufacture and design of test and measuring instruments and caters to various industries including telecom, defence, railways etc. The Company exports its products to Sri Lanka, Nepal, Bangladesh, Middle East, Australia, France, Egypt, etc
- **Established relationships with reputed clientele and exclusive distributorship from suppliers**

  ATTL as a manufacturer and distributor supplies its products within India to reputed telecom service providers viz., BSNL, Reliance, Airtel, Vodafone, Idea, Tata Teleservices, Tata Communications, Ericcson, Nokia, Siemens, etc. and Railways and Defence establishments like ECIL, HAL, NRSA, RCI, DRDL, BDL etc. The Company enjoys exclusive distributorship of power supplies, testers, amplifiers and fusion splicing machines etc. of international suppliers such as Rycom U.S.A., Shineaway Technologies China, Fujikura Japan, Sumitomo Japan, Sage Instruments U.S.A. etc.

Credit Weaknesses

- **Moderate scale of operations**

  The Company's net revenue was moderate at Rs. 57.04 Crores in FY17 vis a vis Rs. 47.19 Crores in FY16.
- **Below average credit profile**

  The Company has been consistently incurring losses y-o-y (FY15: Rs. 2.02 Cr, FY16: Rs. 1.01 Cr, FY17: Rs. 0.47 Cr). EBIDTA has been insufficient to meet interest payments for the last three years and the margins are under pressure due to intense competition and the trading/distributorship nature of activity, which accounts for approximately 97% of the revenue. The elongated receivables position at 146 days has caused liquidity strain resulting in delayed payment of statutory dues.
- **Working capital intensive nature of operations**

  Operations remain working capital intensive due to stretched receivables (FY17: 146 days) and high inventory requirement across products (~90 days). Further, provisions for bad/doubtful debts (FY17:~Rs. 3.56 Crores vs FY16: Rs. 3.58 Crores), further strain the liquidity position of the Company.
- **Susceptibility to volatility in foreign exchange rates and intense competition prevalent in the industry.**

  The Company predominantly procures its raw materials from international suppliers and hence is exposed to forex risk. The company also faces stiff competition from established players which limits its pricing flexibility and bargaining power with customers, thereby putting pressure on its revenues and margins.

Rating Outlook: Stable

BWR believes ATTL's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit margins show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and margins show lower than expected figures.

Company Background:

Aishwarya Technologies and Telecom Limited, formerly known as Aishwarya Telecom Limited was founded by Mr. G.R. Manohar Reddy at Hyderabad, Telangana, originally in 1995 as a private limited company which was converted to a public limited company in 2008. The Company is engaged in manufacturing of telecommunication test and measuring equipment such as fiber, data and copper cable fault locators in India. The Company is an authorised and exclusive distributor for various international principals like Sumitomo Japan, Intec Germany, Rycom USA, GS Instruments Korea, Sage Instruments USA, Shineaway Technologies China etc and trades in various telecommunication products.

The Company offers microwave subsystems, optical instruments, spectrum analyzer, optical test kits, microwave kits, oscilloscope, copper testers, data analyzers, splicing machines and other instruments. It caters to defence, education, manufacturing and telecommunication industries. Key customers include BSNL, Reliance, Airtel, Vodafone, Idea, Tala Teleservices, Tata Communications, Ericcson, Nokia-Siemens, Alcatel-Lucent, ECIL, HAL, NRSA etc. ATTL is listed on BSE. Bhashwanth Power Projects Private Limited is a subsidiary of ATTL.

Financial Performance

ATTL reported Net Revenue of Rs. 57.05 Crs and net loss of Rs 0.47 Crs in FY 17 as against Net Revenue of Rs. 47.40 Crs and net loss of Rs. 1.10 Crs in FY 16. Total debt of the Company was Rs. 6.10 Crores as on March 31, 2017. Tangible Net Worth was Rs. 33.96 Crores as on March 31, 2017. Current ratio was adequate at 2.86 times as on March 31 2017. Gearing was comfortable at 0.18 times as on March 31, 2017 and ISCR and DSCR were moderate at 1.27 times and 1.31 times respectively as on March 31, 2017.

Key financial indicators are furnished in Annexure II.

Rating History for the last three years:

<table>
<tr><th>Sl. No.</th><th>Instrument/ Facility</th><th colspan="3">Current Rating (August 2017)</th><th colspan="3">Rating History</th></tr>
<tr><td></td><td></td><td>Type</td><td>Amount (Rs. Crs)</td><td>Rating</td><td>2016</td><td>2015</td><td>2014</td></tr>
<tr><td>1</td><td>Cash credit</td><td>Long term</td><td>3.00</td><td>BWR B+ (Outlook : Stable) Assigned</td><td>N/A</td><td>N/A</td><td>N/A</td></tr>
<tr><td>2</td><td>Letter of credit</td><td>Short term</td><td>8.50</td><td rowspan="2">BWR A4 Assigned</td><td rowspan="2">N/A</td><td rowspan="2">N/A</td><td rowspan="2">N/A</td></tr>
<tr><td>3</td><td>Bank Guarantee</td><td>Short term</td><td>6.00</td></tr>
</table>

Status of Non cooperation with other CRA :

CARE Ratings, vide its press release dated March 3, 2017, has reaffirmed its rating of the bank loan facilities of the company and denoted it as ISSUER NOT COOPERATING as the Company has not provided requisite information for monitoring the ratings.

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Any other information : Not applicable
Hyperlink/Reference to applicable Criteria

- General Criteria
- Manufacturing Companies
- Trading Entities
- Approach to Financial Ratios
- Short Term Debt

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Aishwarya Technologies and Telecom Limited

Annexure I
Details of Rated Bank Facilities

Facilities	Amount (Rs Crs)	Rated Amount (Rs Crs)
Cash Credit	3.00	3.00
Letter of Credit	8.50	8.50
Bank Guarantee	6.00	6.00
Total	**17.50**	**17.50**

*Note : The facilities were availed from State Bank of Hyderabad, now merged with State Bank of India

Annexure II
Key Financial Indicators

Particulars	FY2016	FY2017
Net Sales (Rs. Cr)	47.40	57.05
EBITDA (Rs. Cr)	2.05	2.36
PAT (Rs. Cr)	(1.10)	(0.47)
Tangible Net Worth (Rs Cr)	34.43	33.96
Total Debt: TNW (Times)	0.11	0.18
Current Ratio (Times)	3.00	2.86

For print and digital media

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The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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