



## Rating Rationale

Arraycom (India) Ltd

21 Nov 2018

**Brickwork Ratings reaffirms ratings of BWR BB+(Stable)/A4 for the Bank Loan Facilities of ₹. 25.00 Crores of Arraycom(India) Ltd. (AIL or ‘The Company’)**

## Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Mar, 2017)	Present
<b><u>Fund based</u></b>					
Cash Credit	7.00	<b>7.00</b>	<b>Long Term</b>	BWR BB+ Outlook: Stable	<b>BWR BB+ (Pronounced as BWR Double B Plus) Outlook: Stable Reaffirmed</b>
<b><u>Non Fund Based</u></b>					
Letter of Credit	8.00	<b>8.00</b>	<b>Short Term</b>	BWR A4	<b>BWR A4 (Pronounced as BWR A Four) Reaffirmed</b>
Bank Guarantee	10.00	<b>10.00</b>			
<b>Total</b>	<b>25.00</b>	<b>25.00</b>	<b>INR Twenty Five Crores Only</b>		

\*One way fully interchangeability from FBWCL to NFBWCL

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings  
Complete details of Bank facilities is provided in Annexure-I

## Rating Reaffirmed

### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financials upto FY18, publicly available information and information/clarifications provided by the management.

The rating continues to draw strength from experienced promoters, diversified revenue profile, improvement in order book providing short term revenue visibility & comfortable capital structure. However, the rating continues to be constrained by small scale of operations, thin profit margins, elongated operating cycle & tender based nature of operations

Going forward, the ability of the company to improve its scale of operations & profit margins through procurement of work orders for System Integration business & manage its working capital cycle efficiently are the key rating sensitivities.

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## Key Rating Drivers

**Experienced Management:** The promoters' business experience of around 3 decades and their financial backing is expected to benefit the company and long standing relationship with their customers will continue to support the business.

**Diversified revenue profile:** AIL is diversified into 3 divisions viz. system engineering & integration in the field of satellite, communication, broadcasting, seismology etc., Solar power division & manufacturing of Thick film material division. During FY18, System Integration division constituted 47% & Solar power division constituted 35% of total operating income. However, lower work orders resulted in marginal increase in revenue in both FY17 & FY18.

**Comfortable capital structure:** Solvency position of the company stood comfortable with overall gearing level at 0.07 times as on 31st March 2018 on account of strong networth base and moderate reliance on debt funds. DSCR was at 2.32 times & ISCR was at 3.55 times as on 31st March 2018.

**Small scale of operations & thin profitability margins:** During FY17 & FY18, the scale of operations stood small at Rs. 18.44 Crs & Rs. 18.00 Crs respectively. Also, revenues derived from System Integration division has declined from Rs. 15.02 Crs in FY17 to Rs. 8.44 Crs in FY18. This was mainly attributable to low level of order booking and substantial delay in tendering process by the customers. However, the current order book has improved to ~Rs. 27 Crs which is 1.5 times FY18 revenues. Furthermore, PAT margin has also remained below 1 during the same period.

**Elongated operating cycle:** AIL continues to have an elongated operating cycle of 173 days owing to high collection period. The collection period deteriorated from 147 days in FY17 to 218 days in FY18 due to delay in payment from Government Departments. The company receives 80-90% payment when the material is delivered to the client and remaining upon the completion of the project.

**Tender based nature of operations:** AIL participated in tenders floated by Government for System Integration projects & Solar power division. These work orders are procured through bidding process indicating a risk of non receipt of contract in a competitive industry, which results in volatile business volumes. As such the ability of the promoters to bid successfully for the tenders and execute the same effectively are key for future growth.

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).

## Rating Outlook: Stable

BWR believes the AIL'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 show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

### About the Company

AIL, an ISO 9001:2008 certified, is a closely held public limited company incorporated in 1992 with its registered office in Gandhinagar, Gujarat. The company is engaged in business of manufacturing electronic materials and system engineering & integration in the fields of satellite communication, broadcasting, seismology etc. The company is also diversified into Solar power EPC business wherein it undertakes projects for grid-tied roof top solar plants both for residential, industrial & commercial and Installation of Solar Power Pumps. The company has completed turnkey basis installation of many earth stations, television transmitters, antennas for satellite interception and digital transmission facility for various Govt departments and public sector enterprises. Doordarshan, All India Radio, Sitaram Rajgarhia, NTRO are some their reputed clientele.

### Financial Performance

AIL reported Operating Revenue of Rs.18.00 Crs and Net Profit of Rs 0.02 Cr for FY18 as against Operating Revenue of Rs. 18.44 Crs.and Net Loss of Rs 0.26 Cr for FY 17. Tangible Net Worth was Rs 31.21 Crs and Total debt was Rs.2.16 Crs as on March 31 2018. Current ratio was 2.07 times as on March 31 2018.

The key financial indicators are summarized in Annexure II

### Rating History for the last three years

Instrument /Facility	Current Rating (Nov 2018)			Rating History		
	Type	Amount (₹ Crs)	Rating	March 2017	March 2016	Jan 2015
<b>Fund Based</b> Cash Credit	Long Term	7.00	<b>BWR BB+ (Outlook: Stable) Reaffirmed</b>	BWR BB+ (Outlook: Stable) Downgraded	BWR BBB- (Outlook: Stable) Reaffirmed	BWR BBB- (Outlook: Stable) Upgraded
<b>Non Fund Based</b> Letter of Credit Bank Guarantee	Short Term	8.00 10.00	<b>BWR A4 Reaffirmed</b>	BWR A4 Downgraded	BWR A3 Reaffirmed	BWR A3 Upgraded
<b>Total</b>		<b>25.00</b>	<b>₹ Twenty Five Crores Only</b>			

\*One way fully interchangeability from FBWCL to NFBWCL

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

**Any other information- NA**

**Annexure I**

**Bank Facilities Details- SBI Bank, Gandhinagar, Gujarat**

<b>Facilities**</b>	<b>Type</b>	<b>Total</b>
Cash Credit	Fund Based	7.00
Letter of Credit	Non Fund Based	8.00
Bank Guarantee	Non Fund Based	10.00
<b>Total</b>		<b>25.00</b>

**Annexure II**  
**Key Financial Indicators**

<b>Key Parameters</b>	<b>Units</b>	<b>2018</b>	<b>2017</b>
<b>Result Type</b>		<b>Audited</b>	<b>Audited</b>
Operating Revenue	Rs. in Crs	18.00	18.44
EBITDA	Rs. in Crs	1.69	0.72
PAT	Rs. in Crs	0.02	(0.26)
Tangible Net worth	Rs. in Crs	31.21	30.84
Total Debt/Tangible Net worth	Times	0.07	0.24
Current Ratio	Times	2.07	1.73

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Service Companies](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website



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**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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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