

Rating Rationale

Brickwork Ratings assigns 'BWR BB+' & 'BWR A4' for the Bank Loan facilities aggregating ₹ 39.96 Cr of Arraycom (India) Ltd

Brickwork Ratings has assigned following **Ratings**¹ for the Bank Credit facilities of Arraycom (India) Ltd. (AIL).

Facility	Limits (₹ Cr)	Tenure	Rating
Term Loan	3.4	Long Term (Fund Based)	BWR BB+ (BWR Double B Plus) (Outlook-Stable)
Cash Credit	7.00		
LC	21.00	Short Term (Non-Fund Based)	BWR A4 (BWR A Four)
BG	8.56		
Total	39.96	INR Thirty Nine Crores & Ninety Six Lakhs only	

The rating factors, inter alia, the experience of the promoters and established track record of the company in System Integration business, diversified business segments, healthy order book position and low financial leverage. However, the rating is constrained by volatility in revenues, stretched liquidity; low profit margins, extended cash conversion cycle due to high days of receivables, customer concentration risk and intensely competitive business environment.

Background:

Arraycom (India) Ltd (AIL), an ISO 9001: 2008 company is a closely held public limited company incorporated in the year 1992 having registered office and factory at GIDC Electronic Estate, Gandhinagar, Gujarat. AIL is engaged in the business of manufacturing electronic material and system engineering & integration in the fields of satellite communication, broadcasting, seismology etc. The Company has completed on turnkey basis installation of many earth stations, television transmitters, antennas for satellite interception and digital transmission facility for various government departments and public sector enterprises. The company has recently forayed into E- Learning and Power semiconductor business and plans to gradually ramp up the business in next two-three years. Arraycom's total strength of employees is around 129, out of which almost 60% are engineers/technical personnel having experience in the field of professional telecommunications/ software etc.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Management Profile:

AIL's board of directors consists of Ms Gorsii A Parekh, Chairperson & Managing director having 17 years of Industry experience, Ms Kalavati J Parekh, Director having 28 years of Industry experience, Mr Bipin C Vasavada, ME (Electronics), Director having 38 years of experience as a consultant, Mr Sameer V Shah, Director has 22 years of Industry experience and Mr R N Patel, Director, who is a practicing chartered accountant for the past 30 years.

Financial Performance:

During FY13, the net revenues decreased to ₹ 34.41 Cr from ₹ 41.64 Cr in the previous year. The Firm's net profit margin has decreased to 1.71% in FY13 from 6.40% in FY12. ISCR has decreased from 3.46 times in FY 2011-12 to 1.64 times in FY 2012-13. Current ratio has marginally increased from 1.22 times as on 31-3-2012 to 1.27 times as on 31-3-2013. Debt equity ratio is comfortable with 0.64 times as on 31-3-2013. The tangible net-worth was Rs.28.93 Cr as on FY13. The Company has achieved a turnover of Rs.30.20 Cr and PAT of Rs1.00 Cr for H1FY14, as per the provisional financials provided by the company.

Rating Outlook:

The rating reflects the position of the company in the System Integration business, low financial leverage, healthy order book position and its foray into diversified business segments. AIL's ability to improve its revenues, increase its profit margins, maintain liquidity position and diversify its customer base will be the key rating sensitivities.

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