

Reissued Rating Rationale

Brickwork Ratings upgrades the ratings to ‘BWR BBB-’ & ‘BWR A3’ for the enhanced Bank Credit facilities aggregating to ₹ 40.76 Cr of Arraycom (India) Ltd.

Brickwork Ratings, on a review, upgrades the **Ratings**¹ for enhanced Bank Loan facilities of Arraycom (India) Ltd.

Facility	Previous Limits (₹ Cr)	Enhanced Limits (₹ Cr)	Tenure	Revised Ratings	Rating History
Term Loan	3.4	4.2	Long Term (Fund Based)	BWR BBB- (Outlook-Stable) (Pronounced BWR Triple B Minus)	BWR BB+ (Outlook-Stable) (Pronounced BWR Double B Plus)
Cash Credit	7.00	7.00			
LC	21.00	21.00	Short Term (Non Fund Based)	BWR A3 (Pronounced BWR A Three)	BWR A4 (Pronounced BWR A Four)
BG	8.56	8.56			
Total	39.96	40.76	INR Forty Crores and Seventy Six Lakhs only		

BWR has principally relied upon the audited financial statements up to FY14, projected financials for FY15 and FY16, publicly available information and information/clarifications provided by the company’s management.

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, consistent growth in sales and profitability and low financial leverage. The rating upgrade is on account of growth in revenues by 66% in FY14 and substantial improvement in profitability reflected by PAT of Rs 1.21 cr for FY14 when compared to Rs 0.58cr in FY13. The strong order book position reflecting revenue visibility for FY15 & 16 has also been accounted for the rating upgrade

However, the rating is constrained by stretched liquidity; low profit margins, extended cash conversion cycle due to high days of receivables 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

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

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.

Financial Performance:

During FY14, the net revenues have increased to ₹ 55.97 Crores from ₹ 33.69 Crores in the previous year. The company's net profit margin has also increased to 2.17% in FY14 from 1.71% in FY13. ISCR has decreased from 1.64 times in FY13 to 1.84 times in FY14. Current ratio has marginally decreased from 1.27 times as on 31-3-2013 to 1.20 times as on 31-3-2014. Debt equity ratio is comfortable with 0.74 times as on 31-3-2014. The tangible net-worth was 30.16 crores as on FY14.

The Company has achieved a turnover of ₹ 26.09 crs and PAT of ₹ 0.52 crs for H1FY15, 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 achieve the projected revenues, increase its profit margins, improve liquidity position and diversify its customer base will be the key rating sensitivities.

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