

Grading Rationale

Brickwork Ratings assigns System Integrators Grading of “SP 3B” for Arraycom India Limited (“AIL” or “the Company”). The Grading indicates ‘Moderate Technical Capability’ and ‘High Financial Strength’ of the channel partner to undertake solar projects under the JNNSM Scheme.

BWR has principally relied upon the audited financials of FY13, FY14 & FY15, projected financials for the period FY16-FY18, publicly available information and information / clarifications provided by the Company’s management.

The grading has positively factored the promoter’s technical expertise and established track record of the Company in telecommunications, information & broadcasting segment, strong technical team, healthy customer base and their expected orders for solar system integration business, consistent growth in operations, moderate tangible networth and comfortable capital structure. The grade is however constrained by the fact that the Company is a new entrant in solar power segment, region-specific O&M network, stretched receivables and a large number of organized and unorganized players indicating high level of competition leading to pressure on margins.

Background

Arraycom (India) Ltd is a closely held public limited company incorporated in 1992 having registered office and factory at GIDC Electronic Estate, Gandhinagar, Gujarat. AIL is engaged in the business of manufacturing electronic material and system integration in the fields of satellite communication, information & broadcasting, seismology and e-learning activities. The Company has executed projects on turnkey basis for installation of many earth stations, television transmitters, antennas for satellite interception and digital transmission facility for various government departments and public sector enterprises.

Apart from the above activity the Company is proposed to venture into solar segment as System Integrator and EPC Contractor for execution of rooftop solar power projects.

Management Profile

AIL’s Board of Directors consists of Ms. Gorsri A. Parekh, Chairperson & Managing Director having 18 years of industry experience, Ms. Kalawati J. Parekh, Director having 29 years of industry experience, Mr. Bipin C. Vasavada, Director having 39 years of experience in the field of electronic as academician & consultant, Mr. R.N. Patel who is a practising Chartered Accountant for 31 years and Mr. Varun A. Parekh, Director, forms the second line of Management of the Company.

Technical Capability

Promoters Track Record & Technical Expertise:

Although, the Company has no track record in execution of solar projects, BWR has positively

factored the technical expertise of the promoters and Company's established track record in execution of projects in the field of telecommunication and broad casting segment for various valued Government customers including Prasar Bharti (Doordarshan & All India Radio) for their transmitter installations.

Technical Expertise and Adequacy of Manpower:

Arraycom's total strength of employees is around 70, out of which almost 60% are engineers/technical personnel having experience in the field of telecommunications, renewable energy etc. The Company's existing technical team shall look after the proposed solar activities. The Company also proposes to recruit additional manpower for solar system integration business.

Customer and O&M Network:

Arraycom is an established player in the field of system integration of digital transmission, information broadcasting and satellite communication systems for more than 13 years. The Company has successfully set up various systems on turnkey basis for reputed Central/State Government organizations like Prasar Bharti, Indian Meteorological Department, Space Application Centre, Ministry of Home Affairs, Defence Electronics & Applications Laboratory, Arasu Cable TV Corporation (a Govt. of Tamilnadu Enterprise), Indian Air Force, ONGC etc. Arraycom has already approached its existing clients for the captive solar plant for their power transmitters. It has moderate O&M network and it has executed projects across India. The Company has its Head Office at Gandhinagar, Gujarat and marketing divisions at New Delhi and Mumbai.

Financial Profile

Revenue stream of FY15 has been mainly from system integration in satellite communication, broadcasting and seismology. Revenue visibility from solar segment is expected in FY17.

The Company has shown consistent growth in operations over the last three years. The Company has reported net profit of ₹1.35 Crores on net revenue of ₹58.05 Crores in FY15 as against net profit of ₹1.21 Crores on net revenue of ₹55.97 Crores in FY14. Whereas, the net revenue during FY16 is expected to be much lower as compared to the previous financial year because of limited orders.

As on March 31, 2015, the tangible networth of the Company stood at ₹30.34 Crores and the gearing level is comfortable at 0.72 times.

Out of sanctioned working capital limit of ₹42.69 crores, the Company has utilised ₹5.68 Crores by way of Cash Credit and ₹11.56 Crores by way of Supplier's / Buyer's Credit, from SBI as on 31 March 2015. The banker has confirmed that the conduct of account is satisfactory and there are no delays in servicing the debt obligation during the past one year. However, there is a slightly stretched liquidity position reflected by high receivable turnover of 154 days in FY15 when compared with the payable turnover of 23 days and inventory turnover of 30 days.

BWR hence, considers the financial flexibility of the Company as good due to its moderately leveraged capital structure.

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