



Press Release

Assam Electronics Development Corporation Limited

May 23, 2022

Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating	Rating Action	Complexity indicator
1	Long Term Bank facility (Proposed)	200.00	IVR BBB+; Stable (IVR Triple B Plus with Stable Outlook)	Assigned	Simple
	Total	200.00 (Rupees two hundred crores only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Assam Electronics Development Corporation Limited (AMTRON) derives comfort from being a wholly owned government of Assam entity and being a nodal implementing agency under the Department of Information technology of Govt. of Assam, its long and established track record in the IT infrastructure space of the state and its comfortable capital structure. However, these rating strengths remain constrained due to its small scale of operation, exposure to project implementation risk and its elongated collection period.

Key Rating Sensitivities

Upward Factors:

- Substantial and sustained growth in operating income, operating margin and cash accrual
- Improvement in working capital management with improvement in liquidity
- Sustenance of the capital structure with improvement in debt protection metrics on a sustained basis
- Successful completion of running project without time and cost overrun

Downward Factors:

- Moderation in operating income and/or moderation in cash accrual impacting the debt protection metrics on a sustained basis



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- Stretch in the working capital cycle driven by stretch in receivables, or sizeable capital expenditure weakens the financial risk profile, particularly liquidity
- Time and cost overrun in project

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **An Assam Government entity**

AMTRON is a government of Assam undertaking under the purview of Industry & Commerce Department, Govt. of Assam. It is the nodal implementing agency for the Department of Information technology, Govt. of Assam. Presently, Mr. Ramendra Narayan Kalita, chairman and a Member of Assam Legislative Assembly with experience of more than three decades in software & electronic payment services industry is at the helm of affairs of the company. He is ably supported by vice chairman Mr. Ritubaran Sarmah and Managing Director Mr. S. Sundar, who have experience of more than two decades in this industry.

- **Long and established track record in providing maintenance in software development industry**

AMTRON has a long and established track record of about four decades in testing, maintenance and development of various software packages including ERP, providing solutions and project management in the area of client server and web-based technologies.

- **Comfortable capital structure**

The company has strong financial risk profile marked by its conservative capital structure with insignificant debt. However, with expected availment of debt, the capital structure though expected to be moderated will continue to remain is expected to deteriorate in the near term.

Key Rating Weaknesses

- **Small scale of operation**

The operations of the company remained small with a turnover of Rs.39.71 crore in FY20 (Rs.39.04 crore in FY19). Small scale of operations restricts the financial flexibility to an extent.

- **Project implementation risk**

The company is building a TECH City (The Technology Park and Manufacturing Hub) i.e. Electronic Manufacturing Cluster at Guwahati, Assam, India. The entire project is of 100 acres of area located next to Guwahati International Airport. Land cost is excluded from the proposed project cost and the same was acquired by Govt. of Assam on 5th September 2007. The



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ownership & possession of the land was taken over by AMTRON on 22nd March 2013. The total cost of the project is estimated at Rs.602.12 crore, which is expected to be financed by grants from Govt of India and Govt of Assam to the tune of Rs.89.89 crore, which is about 15% of total costs, Rs.112.32 crores from contribution from constituent units, which is about 19% of total cost of project and remaining Rs.400 crore through term loan from bank, which is about 66% of total costs. The company has already incurred around Rs.64.23 crore towards building infrastructure of which Rs. 25 crore is funded by GOI, Rs.12.85 crore by Assam Government and remaining through contribution from constituent units. In view of large size of the project there exists project implementation risk.

- **Elongated collection period**

The operations of the company remained working capital intensive over the years marked by its elongated average collection period.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Service Sector Companies](#)

[Government Support](#)

[Parent group support](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Rating Methodology – State Finance](#)

Liquidity: Adequate

The liquidity profile of the company remains satisfactory with its healthy cash and cash equivalents vis-à-vis its insignificant debt level and consequent nil repayment in the near term. Further, being a government entity, the company is expected to get need based adequate support from the state government.

About the Company

Established in 1984, AMTRON is a wholly owned government of Assam entity under the aegis of Department of Industries and Commerce, Government of Assam to establish and develop Electronics and allied industries in the state. AMTRON begin their journey in 1984 by setting up the first sector Black & White and Colour TV assembly unit in the North-East India. It also ventured into Power Electronics & Telecommunication Sector in 1988. AMTRON's foray into IT sector started in 1988 with the establishment of Data Processing



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and Software Development Center. An IT Training and Consultancy cell also started functioning at the same time. AMTRON is now the nodal agency of the Information Technology Department of the Govt. of Assam for implementing IT Projects in the State including the National e-governance plan of the Govt. of India.

Financials (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	39.04	39.71
Total Income	39.04	39.71
EBITDA	2.97	3.22
PAT	1.46	1.52
Total Debt	0.55	2.15
Tangible Net worth	37.22	39.11
EBITDA Margin (%)	7.61	8.11
PAT Margin (%)	3.74	3.83
Overall Gearing Ratio (x)	0.01	0.05

*As per Infomerics' Standard

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years with Infomerics:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Term Loan (Proposed)	Long Term	200.00	IVR BBB+ / Stable	-	-	-

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).



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Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities - Proposed Term Loan	-	-	-	200.00	IVR BBB+/ Stable

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-Assam-Electronics-May22.pdf>

Annexure 3: List of companies considered for consolidated analysis: Not Applicable

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.