

Credit Assessment Report

Credit Assessment Report for XXXX Group



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Existing Business Details

The [REDACTED] group was founded in 1995, in Fremont, California, by Mr [REDACTED] and Mr. [REDACTED]. The main manufacturing operations for the group is in India and was set up in 1998.

Founded to provide high quality electronic manufacturing solutions to high-mix industries, the group today has a global footprint and deeply entrenched client relationships

The [REDACTED] group is vertically integrated to offer products like integrated box build / end products / assemblies involving the design and manufacturing of:

- Printed Circuit Boards
- Cables / Harness
- Magnetics
- Metals
- Plastics

Over the past 20 years, the group has developed relationships with some of the large names in the industry such as GE, Bosch, Cummins, Alstom, Kyosan, Continental and others. The relationships with the companies have been sustained with repeat orders over many years.

Currently all the group entities are held by the same promoters but the group does not have any parent-subsidary structure. However, the companies can be looked at as a group for credit assessment purposes for the following reasons:

- They have the same promoters
- They have deep linkages amongst each other (like [REDACTED] Corp is mostly a marketing arm in the USA, while the manufacturers in India are all part of a vertical integration)
- There are historical instances of group companies supporting each other (e.g. [REDACTED] Pvt Ltd provided extended payment terms on receivables from [REDACTED] Corp).

Management Analysis

The group was founded by first generation entrepreneurs almost 24 years back. The group is still managed by the same set of promoters. The Board of Directors comprises of the following people:

Name of Director	Position(s) Held	Experience
██████████	Managing Director – ██████████	<ul style="list-style-type: none"> ██████████ ██████████ ██████████ • ██████████ ██████████ ██████████
Mr. ██████████	CEO, ██████████	25 years of global business development and operations experience
Mr. ██████████	Director, ██████████	More than 23 years of experience
Mr. ██████████	Director, ██████████	
Mr. ██████████	Director, ██████████	More than 18 years of experience in IT, Education & Training Industry
Mr. ██████████	Director, ██████████	Over 35 years experience in Oil & Gas and related manufacturing

The management of ██████████ group are mostly first generation entrepreneurs having extensive experience in IT and manufacturing. The management and the relevant key people of the group have sufficient experience to manage the business.

Historically, the companies have been managed by the technocrat promoters, but there is a gradual shift towards professional management looking after the day-to-day affair of the companies.

Industry Analysis

The [REDACTED] Group is an integrated player present in the entire value chain of the Electronic Manufacturing Services (EMS) industries.

EMS is a term used for an industry which comprises of companies that design, manufacture, test, distribute and provide repair services for components and assemblies of OEMs in the Electronics space.

The overall business model for the EMS industry specializes in attaining economies of scale in manufacturing and raw materials procurement along with industrial design expertise and value added services such as warranty and repairs.

The typical services provided by the players are as follows:

- Contract design service
- Prototyping
- Final system assembly
- Configuration
- Order fulfilment
- After sales service

Most of the meaningful players in the industry are present in all the services.

Key Industry Drivers

The key drivers impacting the functioning of the industry in India are as follows:

- Relatively higher cost of infrastructure
- Shortage of skilled manpower
- Longer capital investment cycle
- Higher cost of capital
- Fragmented industry with cost competition from small players
- Threat from Imports
- Demand fluctuations

Competitiveness Analysis

Industry Competitiveness (High)

Threat of New Entrants (Low)

- Capital Intensive Industry creates barriers
- Technology requirement and client loyalty is high

Threat of Substitutes (Low)

- No substitute to electronics
- Product innovations can be a threat

Bargaining Power of Suppliers (Low)

- Smaller suppliers with low product differentiation
- Low switching costs

Bargaining Power of Customers (High)

- Fragmented industry with many options to buyers
- Considerable product understanding

Financial Performance Analysis

As per our methodology for such group companies with common promoters and deep business and financial linkages, the financials of all the group companies are fully consolidated for analysis.

Ratio	31-Mar-2017	31-Mar-2018	31-Mar-2019	31-Mar-2020	31-Mar-2021	31-Mar-2022
Tangible Net Worth	-30.10	23.80	63.00	111.30	235.90	431.90
Total Debt/TNW	-6.58	8.65	3.44	1.72	0.91	0.57
ISCR	-0.62	1.65	2.47	2.89	7.13	9.50
DSCR	-0.45	0.73	1.18	1.30	2.95	3.84
DSCR(Analyzed)	-0.45	0.45	0.96	1.22	2.26	2.88
Net Profit Margin	-8.21	0.96	4.25	4.95	11.28	13.37
ROCE	-13.26	13.76	21.04	26.12	50.26	50.67
Net Cash Accruals/Total Debt	-0.13	0.07	0.18	0.26	0.63	0.83
Current Ratio	1.39	1.69	1.94	2.09	2.51	3.02

Final Assessment:

NR 2

Risk Silo	Gradation	Remarks
Industry Risk	NR 3	<ul style="list-style-type: none"> Highly competitive Large growth prospects in India and globally Large players gradually moving towards High Mix – Low Volume production for better margins
Business Risk	NR 3	<ul style="list-style-type: none"> 25 years in business Niche market with High Mix – Low Volume Strategy Reputed clientele with sufficient years of relationship High flexibility for product innovation and design and fully vertically integrated
Management Risk	NR 2	<ul style="list-style-type: none"> Sufficient experience of management Inadequate corporate governance practices in the past Unsatisfactory repayment track record till recent past
Financial Risk	NR 2	<ul style="list-style-type: none"> Fluctuating revenues and profitability in the past Inadequate equity for the size of operation High leverage and stretched liquidity leading to low financial flexibility High receivables of █████ from █████ Corp leading to full utilisation of WC limits in the last 12 months Moderate improvement in profitability and cash flows expected in the next 2-3 years
Overall	NR 2	Estimated PD is 5.8%
Legend		
NR 5	Highest Safety	
NR 4	High Safety	
NR 3	Adequate to Moderate Safety	
NR 2	High Risk	
NR 1	Extremely High Risk	

CONFIDENTIALITY CLAUSE

This document is submitted by NEX RUBICA, to [REDACTED] Group for assignment on Independent Credit Assessment on the understanding that the contents of this document will not be divulged to any third party by [REDACTED] Group, without the express written consent of NEX RUBICA.

DISCLAIMER

While every effort has been made to ensure accuracy in the preparation of this document, no responsibility can be accepted for errors and/or omissions, which are caused by incorrect or inadequate information supplied by [REDACTED] Group.

Date: [REDACTED]

Place: [REDACTED]