

CM Envirosystems Private Limited: Reaffirmed

Name of the Instruments	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	6.50	SMERA BB/Stable (Reaffirmed)
Stand By Line of Credit	0.75	SMERA BB/Stable (Reaffirmed)
Term Loan	2.00	SMERA BB/Stable (Reaffirmed)
Bank Guarantee	2.00	SMERA A4+ (Reaffirmed)
Fund Based/Non Fund Based (Proposed)	3.75	SMERA BB/Stable/A4+ (Assigned)

SMERA has reaffirmed the long-term rating of '**SMERA BB**' (**read as SMERA double B**) and assigned short-term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs.15.00 crore bank facilities of CM Envirosystems Private Limited (CMEPL). The outlook is '**Stable**'.

The ratings derive benefit from the extensive experience of its promoters, strong market position in a niche segment and the moderate financial risk profile. However, the ratings are constrained by the working capital intensive operations of the company.

Update

CMEPL is engaged in the manufacturing of environmental test chambers and has operations in 17 countries through its channel partners. The company registered revenue of Rs.13.73 crore in FY2015 while in FY2016, the revenue increased to Rs.19.15 crore with resuming of exports to the Russian market. The company benefits from its experienced management. The promoters possess experience of 30 years in the field. The operating margin stood at 16.66 per cent in FY2015 compared to 17.48 per cent in FY2014. The gearing level was at 2.30 times as on 31 March 2015. The coverage indicator has been comfortable at 2.82 times in FY2015. The operations are working capital intensive due to high debtor days. The average bank utilisation has been high at 93 percent for six months ended February 2016.

Rating Sensitivity Factors

- Scaling up operations and sustaining healthy profitability
- Effective working capital management

Outlook - Stable

SMERA believes the outlook will be stable and benefit from its strong market position in the industry underpinned by healthy operating profitability. The outlook may be revised to 'Positive' in case the company registers strong growth in revenue while maintaining healthy profitability. Conversely the outlook will be revised to 'Negative' in case of lower accruals or deterioration in the working capital management impacting liquidity.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

CMEPL, incorporated in 1981 is a Bangalore-based company engaged in the manufacture of environmental test chambers. The day-to-day operations are managed by Mr. Prajwal Crasta, Director and CEO. The company caters to over 17 countries through its channel partners.

For FY2014-15, CMEPL reported (profit after tax) PAT of Rs.0.75 crores on operating income of Rs.13.73 crore as compared with PAT of Rs.1.63 crore on operating income of Rs.18.95 crore for FY2013-14. For FY2015-16, the company reported PAT of Rs.1.22 crore (Provisional) on operating income of Rs.19.15 crore.

Rating History:

Date	Name of the Instrument	Size of the issue (Rs.crore)	Rating		Rating Outlook
			Long Term	Short Term	
18 August, 2015	Cash Credit	8.00	SMERA BB		Stable
	Cash Credit – Proposed	1.25	SMERA BB		Stable
	Stand by Line of Credit	0.75	SMERA BB		Stable
	Term Loan – Proposed	3.00	SMERA BB		Stable
	Bank Guarantee	2.00		SMERA A4+	

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ABOUT SMERA

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