

Ekta Engineering Udyog Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	7.00 (reduced from 10.00)	SMERA BB+/Stable (Suspension Revoked; Rating Assigned)
Bank Guarantee	7.00	SMERA A4+(Assigned)

SMERA has revoked the suspension of long-term rating on the above mentioned bank facilities of Ekta Engineering Udyog Private Limited (EEUPL) and assigned the rating of '**SMERA BB+**' (**read as SMERA double B plus**) on the Rs.7.00 crore long-term (fund-based) facility. SMERA has also assigned rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs.7.00 crore short-term (non-fund) bank facility. The outlook is '**Stable**'.

The rating draws support from the long track record of operations, established brand name and healthy financial risk profile marked by comfortable gearing and moderate interest coverage. However, the rating is constrained by the modest scale of operations, susceptibility of margins to volatility in raw material prices of steel and intense competition in the kitchen ware industry.

EEUPL was incorporated in 1954 by Mr. Rehan Elahi, Mr. Rehman Elahi, Mr. Anwar Elahi and others. The company is engaged in the manufacture of pressure cookers and trades in kitchenware items. The pressure cookers are sold under the 'UNITED' brand name. The management has over three decades of experience in the aforementioned line of business and is well supported by a second line of management.

EEUPL has comfortable gearing at 0.62 times as on March 31, 2016 against 0.44 times in FY2014-15. The interest coverage ratio has been healthy at 2.67 times in FY2015-16 against 2.28 times in FY2014-15. The company registered PAT margin of 1.37 per cent in FY2015-16 as against 0.29 per cent in FY2014-15.

However, the revenue profile has been modest at Rs.70.48 crore in FY2015-16 as against Rs.51.05 crore in the previous year. The profit margins of the company are susceptible to fluctuations in raw material prices of steel. EEUPL operates in an intensely competitive segment of the kitchenware industry.

Rating Sensitivity Factors

- Improvement in revenue and profitability profile
- Efficient working capital management

Outlook-Stable

SMERA believes that EEUPL will maintain a stable outlook over the medium term and continue to benefit from its experienced management. The outlook may be revised to 'Positive' if the company registers substantial growth in revenues and profitability while maintaining debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile or working capital management.

Criteria applied to arrive at the ratings:

- Manufacturing Entities
- Trading Entities

About the Company

The Delhi-based, EEUPL was incorporated in 1954 by Mr. Rehan Elahi, Mr. Rehman Elahi, Mr. Anwar Elahi and others. The company is engaged in the manufacture of pressure cookers and trades in kitchenware items at Noida.

For FY2015-16, the company reported profit after tax (PAT) of Rs.0.97 crore on operating income of Rs.70.48 crore, as compared with profit after tax (PAT) of Rs.0.15 crore on operating income of Rs.51.05 crore in FY2014-15. The net worth stood at Rs.9.70 crore (included quasi equity of Rs. 6.72 crore) as on March 31, 2016 against Rs.8.18 crore (included quasi equity of Rs. 6.26 crore) a year earlier.

Rating History:

Date	Facilities	Amount (Rs. Crore)	Rating		Rating Outlook
			Long Term	Short Term	
11 August, 2016	Cash Credit	10.00	SMERA BB (Suspended)	-	Stable
03 July , 2015	Cash Credit	10.00	SMERA BB (Assigned)	-	Stable

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ABOUT SMERA

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