

Press Release

Ekta Engineering Udyog Private Limited

02 February, 2018

Rating Upgraded



Total Bank Facilities Rated*	Rs. 14.00 Cr.
Long Term Rating	SMERA BBB-/ Outlook: Stable (upgraded from SMERA BB+/Stable)
Short Term Rating	SMERA A3 (upgraded from SMERA A4+)

* Refer Annexure for details

Rating Rationale

SMERA has upgraded the long term rating to '**SMERA BBB-**' (read as **SMERA triple B minus**) and short term rating to '**SMERA A3**' (read as **SMERA A three**) on the Rs.14.00 crore bank facilities of Ekta Engineering Udyog Private Limited (EEUPL). The outlook is '**Stable**'.

The upgrade is in view of the scaling up of operations and sustained profitability. SMERA believes that going ahead, the company will sustain growth in revenues along with profitability margins over the medium term.

Ekta Engineering Udyog Private Limited (EEUPL), incorporated in 1954, is a Delhi-based company promoted by Mr. Rehan Elahi, Mr. Anwar Elahi and Mr. Rehman Elahi. The company is engaged in the manufacturing of pressure cookers and cookware items. The installed capacity stands at 10,000 cookers per day.

Key rating drivers

Strengths

Experienced management, established track record of operations: EEUPL was incorporated in 1954. The company is engaged in the manufacturing of pressure cookers and other cookware. The company is led by Mr. Rehan Elahi, Mr. Rehman Elahi and Mr. Muzammil Anwar who possess more than three decades of experience in the said line of business. The management is well supported by the second generation of entrepreneurs. The long track record of operations has helped the company establish healthy relations with suppliers as well as customers.

Moderate financial risk profile: EEUPL has moderate financial risk profile marked by low net worth of Rs. 7.98 crore as on 31 March, 2017 compared to Rs. 9.70 crore as on 31 March, 2016. The networth includes interest bearing unsecured loans of Rs. 3.80 crore. The gearing improved to 0.20 times as on 31 March, 2017 from 0.62 times as on 31 March, 2016 due to repayment of term loan. The total debt of Rs. 1.58 crore comprises term loan of Rs. 0.37 crore from bank and working capital funds of Rs. 1.21 crore as on 31 March, 2017. The Interest Coverage Ratio stood at 3.75 times in FY2017 as against 2.67 times in FY2016 with improvement in profitability in FY2017. The net cash accruals stood at Rs. 1.79 crore as against repayment obligation of Rs. 0.04 crore in FY2017.

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Going forward, SMERA expects the company to maintain its financial risk profile and improve its networth in the absence of major debt funded capex plan.

Wide dealership network: The company sells its product through its network of around 1000 dealers across India. The total installed capacity of the company is 10,000 pressure cookers a day. However, currently, the company operates at 25 per cent capacity.

Registered and established brand position: The products are sold under the 'UNITED' brand name and have ISI accreditation. The products also serve the Indian armed forces through CSD canteens.

Online sales: The products are also sold online through the company's website as also E-commerce websites such as Flipkart, Paytm, Snapdeal and Amazon. Around 2 percent sales are through E-commerce.

Weaknesses

Susceptibility of margins to fluctuations in raw material prices: EEUPL reported EBITDA margin of 4.11 percent for FY2017 as against 4.21 percent in the previous year. The margins of the company are susceptible to fluctuations in the prices of aluminium. The company purchases aluminium sheets from Hindalco and local dealers/traders.

Competitive and fragmented industry: The company is exposed to intense competition from small as well as large players such as Hawkins and Prestige.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of Ekta Engineering Udyog Private Limited to arrive at the rating.

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 revenue and profitability while maintaining debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of deterioration in financial risk profile or profitability.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	81.38	70.48	51.05
EBITDA	Rs. Cr.	3.34	2.97	2.82
PAT	Rs. Cr.	1.17	0.97	0.15
EBITDA Margin	(%)	4.11	4.21	5.52
PAT Margin	(%)	1.44	1.37	0.29
ROCE	(%)	22.22	18.62	14.35
Total Debt/Tangible Net Worth	Times	0.20	0.62	0.44
PBDIT/Interest	Times	3.75	2.67	2.28
Total Debt/PBDIT	Times	0.46	2.00	1.28
Gross Current Assets (Days)	Days	66	116	105

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Status of non-cooperation with previous CRA (if applicable):

None

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
21-Nov, 2016	Cash Credit	Long Term	7.00	SMERA BB+/Stable (Assigned)
	Bank Guarantee	Short Term	7.00	SMERA A4+ (Assigned)
11-Aug, 2016	Cash Credit	Long Term	10.00	SMERA BB/Stable (Suspended)
03-Jul, 2015	Cash Credit	Long Term	10.00	SMERA BB/Stable (Assigned)

Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00*	SMERA BBB-/Stable (Upgraded)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA A3 (Upgraded)

* 50% interchangeability from CC/ODBD to Bank Guarantee.

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ABOUT SMERA

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