

Press Release

Enestee Engineering Limited

March 27, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 105.00 Cr.
Long Term Rating	SMERA BB+ / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB+**' (**read as SMERA BB plus**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 105.00 crore bank facilities of Enestee Engineering Limited. The outlook is '**Stable**'.

The Nagpur-based Enestee Engineering Limited (EEL), incorporated as a private limited company in 2005 was converted into a public limited company in 2010. The company was promoted by Mr. Madhu Nair and led by Board of Directors comprising technocrats with extensive experience in the engineering field.

Key Rating Drivers

Strengths

- **Experienced management**

The management of EEL possesses experience of over four decades in the aforementioned line of business. He is well supported by his son Mr. Sandeep M. Nair. The company has an experienced and qualified second line of management.

- **Moderate scale of operations and improvement in revenues**

EEL has moderate scale of operations with operating income of Rs. 170.48 cr in FY2014-15. The company registered CAGR of 13 per cent during FY2012 to FY2015. In FY2015, the company registered growth of 29 per cent in revenue over FY2014 (Rs.132.54 cr) due to increase in the order book position. In HY2016, EEL registered operating income of Rs.71.58 cr as against Rs.68.40 cr in HY2015. EEL reported operating income of Rs.181.95 cr in FY2016 over Rs.169.77 cr in FY2015. In HY17, EEL registered operating income of Rs.78.86 cr as against, Rs.71.58 cr in HY2016 and Rs. 68.40 cr in HY2015.

- **Healthy order book position**

EEL has healthy order book position with total unexecuted order book of Rs.190.64 cr. Of the total orders, the order book for manufacturing and trading is Rs.127.19 cr while that for projects is Rs. 63.45 cr.

Weaknesses

- **Average financial risk profile**

EEL's average financial risk profile is marked by relatively high gearing and low coverage indicators. The gearing level (debt to equity ratio) stood high at 2.98 times in FY2015. The Interest coverage ratio stood at 1.61 times and debt service coverage ratio (DSCR) at 1.07 times in FY2015.

- **Working capital intensive operations**

EELs working capital intensive operations are reflected in the high GCA of 275 days in FY2016 (PY: 243 days). Also, the working capital limit utilisation is high at ~99 per cent average for the last six months. EEL has high inventory holding of 148 days (PY: 161 days) in FY2016 due to high work in progress and raw material which the company is required to maintain in order to produce customer specified products in time. Moreover, as on March 31, 2016, debtors more than six months are of Rs.15.19 cr, of which the company has received payments for Rs.5.59 cr as on January 31, 2017.

Analytical Approach

SMERA has considered the standalone financial and business risk profiles of the company.

Outlook: Stable

SMERA believes that EEL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case of improvement in the capital structure and coverage indicators. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenues and profitability or significant deterioration in the capital structure and liquidity position.

About the Rated Entity - Key Financials

For FY2015-16, EEL reported profit after tax (PAT) of Rs.2.17 cr on operating income of Rs.181.95 cr as against PAT of Rs.1.48 cr on operating income of Rs.169.77 cr in FY2014-15. The net worth stood at Rs.35.82 cr as on 31 March 2016 as against Rs.27.79 cr as on 31 March 2015.

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

CARE, vide release dated January, 2015 has suspended its ratings on account of lack of adequate information required for monitoring of ratings.

Any other information

None

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>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
03-Dec-2015	Cash Credit I	Long Term	INR 25	SMERA BB+ / Stable
	Cash Credit II	Long Term	INR 10	SMERA BB+ / Stable
	Term Loan	Long Term	INR 6.25	SMERA BB+ / Stable
	Corporate loan	Long Term	INR 20	SMERA BB+ / Stable
	Letter of Credit I	Short Term	INR 15	SMERA A4+
	Letter of credit II	Short	INR 10	SMERA A4+

	Term		
Bank Guarantee	Short Term	INR 15	SMERA A4+
Proposed Fund Based Limit	Long Term	INR 3.75	SMERA BB+ / Stable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	29.35	SMERA BB+ / Stable
Term loans	Not Applicable	Not Applicable	31-Dec-2017	3.69	SMERA BB+ / Stable
Term loans	Not Applicable	Not Applicable	31-Dec-2022	20.00	SMERA BB+ / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BB+ / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	16.96	SMERA A4+
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA A4+
Letter of credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA A4+

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ABOUT SMERA

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