

Press Release

Enpro Industries Private Limited

29 June, 2017



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 157.00 Cr
Long Term Rating	SMERA BBB/Stable
Short term Rating	SMERA A3+

**Refer Annexure for details*

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA BBB**' (read as **SMERA triple B**) and short term rating of '**SMERA A3+**' (read as **SMERA A three plus**) on the Rs. 157.00 crore bank facilities of Enpro Industries Private Limited (EIPL). The outlook is '**Stable**'.

Established in 1988 as a proprietorship firm, EIPL, a Pune-based company was converted into private limited in 1999. The company is engaged in the manufacturing and designing of mechanical fluid systems like lube oil systems, filtration skids, fuel handling skids among others used in power, petrochemical, refineries and process industries. EIPL has operations in North America, Middle East, Europe, Japan and Korea to cater to the export market. The manufacturing facility is located at Alandi, Pune.

List of key rating drivers and their detailed description:

Strengths:

Improvement in profit margins: The EBITDA margins improved to 17.72 per cent in FY2015-16 from 15.44 per cent in FY2014-15 on account of increase in export orders. Further, as per provisional financials for FY2016-17, the EBITDA margin improved to 24.30 per cent. SMERA believes that Enpro will be able to maintain margins at around 20 per cent going ahead, on the back of increased exports.

Improvement in the financial risk profile: The gearing improved marginally to 1.64 times as on 31 March, 2016 as against 1.75 times as on 31 March, 2015. Further, as per provisional financials, the gearing stands at 1.26 times as on 31 March, 2017. The total outside liabilities to tangible net worth (TOL/TNW) is moderate at 2.97 times as on 31 March, 2016 as against 3.29 times in the previous year. The company has healthy net worth of Rs.58.76 crore as on 31st March, 2016. The coverage indicators are healthy as interest coverage ratio (ICR) stood at 2.45 times and debt service coverage ratio (DSCR) at 1.44 times in FY2015-16. As per provisional figures for FY2016-17, ICR and DSCR stood at 5.39 times and 2.96 times respectively.

Established track record of operations: EIPL is engaged in the manufacturing and designing of mechanical fluid systems since 1988. Over the years, the company has been able to forge healthy relationships with its customers and suppliers.

Reputed clientele: EIPL has been catering to reputed clients including Reliance Industries Limited, Siemens Limited, Sulzer Pumps India Limited, etc. for over a decade. This has helped the company get repeat orders.

Weaknesses:

Moderate revenue growth: EIPL registered revenues of Rs.218.10 crore in FY2015-16, a 34 per cent growth over the previous year. As per provisional financials, the company achieved revenue of Rs.220.98 crore for FY2016-17, a marginal 1.3 per cent growth over the previous year. EIPL has an unexecuted order book of Rs.271.04 crore to be completed in FY2017-18. SMERA expects EIPL to register moderate revenue growth in the medium term.

Working capital intensive operations: EIPL has always shown high working capital cycle days of around 200 days. However, the same has improved from 237 days in FY2015 to 213 days in FY2016 and further to 191 days in FY2017. EIPL maintains an average inventory level for ~150 days (RM and WIP). However, the company has been able to manage its working capital efficiently as reflected in its utilisation of bank limits. The average bank limit utilisation for six months ended March 2017 stood at 75.57 per cent.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of EIPL to arrive at the rating.

Outlook - Stable

SMERA believes that EIPL will continue to maintain a stable outlook over the medium term owing to its established market position and experienced promoters. The outlook may be revised to 'Positive' in case of sustainable improvement in the scale of operations, profitability and financial risk profile. Conversely, the outlook may be revised to 'Negative' if the company's revenue and profitability decline or if its financial risk profile weakens due to stretch in working capital cycle or large debt-funded capital expenditure undertaken.

About the Rated Entity – Key Financials

For FY2015-16, EIPL reported net profit after tax (PAT) of Rs.11.97 crore on operating income of Rs.218.10 crore as compared with PAT of Rs.6.49 crore on operating income of Rs.162.61 crore in FY2014-15. The tangible networth stood at Rs.58.76 crore as on 31 March, 2016 as against Rs.47.34 crore in the previous year.

Applicable Criteria

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

Note on complexity levels of the rated instrument:

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

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating History (Upto last three years):

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
18 March, 2016	Cash credit	Long term	31.00^	SMERA BBB/Stable (Assigned)
	Standby Line of Credit	Short term	2.00	SMERA A3+ (Assigned)
	Cash credit	Long term	13.00*	SMERA BBB/Stable (Assigned)
	Cash credit	Long term	41.00^^	SMERA BBB/Stable (Assigned)
	Term Loan	Long term	12.00	SMERA BBB/Stable (Assigned)
	Bank Guarantee	Short term	7.00**	SMERA A3+ (Assigned)
	Bank Guarantee	Short term	28.00	SMERA A3+ (Assigned)
	Letter of Credit	Short term	6.00	SMERA A3+ (Assigned)
	Letter of Credit	Short term	4.00#	SMERA A3+ (Assigned)
	Bank Guarantee	Short term	13.00#	SMERA A3+ (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	N.A.	N.A.	N.A.	31.00 [^]	SMERA BBB/ Stable (Reaffirmed)
Standby Line of Credit	N.A.	N.A.	N.A.	2.00	SMERA A3+ (Reaffirmed)
Cash credit	N.A.	N.A.	N.A.	13.00 [*]	SMERA BBB/ Stable (Reaffirmed)
Cash credit	N.A.	N.A.	N.A.	41.00 ^{^^}	SMERA BBB/ Stable (Reaffirmed)
Term Loan	N.A.	N.A.	N.A.	12.00	SMERA BBB/ Stable (Reaffirmed)
Bank Guarantee	N.A.	N.A.	N.A.	7.00 ^{**}	SMERA A3+ (Reaffirmed)
Bank Guarantee	N.A.	N.A.	N.A.	28.00	SMERA A3+ (Reaffirmed)
Letter of Credit	N.A.	N.A.	N.A.	6.00	SMERA A3+ (Reaffirmed)
Letter of Credit	N.A.	N.A.	N.A.	4.00 [#]	SMERA A3+ (Reaffirmed)
Bank Guarantee	N.A.	N.A.	N.A.	13.00 [#]	SMERA A3+ (Reaffirmed)

**Includes sublimit of PCFC/Rupee Export Packing Credit to the tune of Rs.12.00 cr and Export Foreign Bill Purchase/Post Shipment in Foreign Currency to the tune of Rs. 12.00cr*

***Includes sublimit of Foreign Bank Guarantee of Rs.5.50 cr, Letter of credit (import/local) of Rs.7.00 cr and Buyers Credit of Rs.7.00cr*

[^]Includes sublimit of EPC/PCFC and FBD/EBR upto Rs. 25.00cr

^{^^} Includes sublimit of Packing Credit/Post Shipment to CC upto Rs. 30.00 cr.

[#]Full interchangeability between LC and BG and interchangeability upto Rs.6.25 cr with CC

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ABOUT SMERA

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