

Press Release
Enpro Industries Private Limited

October 30, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs.285.50 Cr. (Enhanced from Rs.260.50 Cr.)
Long Term Rating	ACUITE BBB / Outlook: Positive
Short Term Rating	ACUITE A3+

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and the short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) to Rs. 233.84 crore bank facilities of Enpro Industries Private Limited (EIPL). The outlook is '**Positive**'.

Acuite has assigned the long term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) to Rs.51.66 crore bank facilities of Enpro Industries Private Limited (EIPL). The outlook is '**Positive**'.

Enpro Industries Private Limited (EIPL) is a Pune based company established as a proprietorship firm in 1988. The company was later converted to a partnership firm in 1999. The company is engaged in the manufacturing and designing of mechanical fluid systems, lube oil systems, filtration skids, fuel handling skids among others used in power, petrochemical, refineries and process industries. EIPL has its manufacturing facility in Alandi, Pune and also has its presence abroad with offices in North America, Middle East, Europe, Japan and Korea to cater to the export markets.

Analytical Approach

For arriving at its rating, Acuite has considered the standalone business and financial risk profile of EIPL.

Key Rating Drivers

Strengths

• **Experienced management**

EIPL is engaged as a manufacturer and designer of mechanical fluid systems. The company has been in the same line of business since 1991. Over the years, EIPL has been able to forge long standing relations with their clients and suppliers. The company's work has been recognised by business clients ranging from Sulzer Pumps India Limited, Reliance Industries Limited, Siemens Limited among others. Due to their long business relations with reputed clients, the company has been able to export 70 percent of their products to countries in North America, Europe and Asia.

• **Moderate financial risk profile**

The revenue for FY2018 has improved from Rs.220.99 crore in FY2017 to Rs.244.43 crore in FY2018. The EBITDA margin for FY2018 stood at 21.01 percent. The PAT margin for FY2018 stood at 10.08 percent. The NCA margin for FY2018 stands at 11.89 percent. The company has managed a Return on Capital Employed (RoCE) of 25.40 percent on an average from 2016-2018. Gearing of EIPL has marginally improved to 0.77 times as on March 31, 2018 as against 1.29 times as on March 31, 2017. TOL/TNW is also moderate at 1.41 times as on March 31, 2018 as against 2.21 times in the previous year. The company has a healthy net worth which stood at Rs.109.28 crore as on 31 March, 2018. Total debt of Rs. 84.53 crore as on March 31, 2018 majorly comprises of short term working capital facilities to the tune of Rs. 69.72 crore. ICR stood at 5.11 times and DSCR stood at 2.62 times in FY2018.

• **Globally diversified**

The company has diversified its operations throughout the world. They hold offices in Middle East, USA, Germany and Japan, apart from India. They also have their business representatives across the globe looking to expand the business across the boundaries of a nation. The company has successfully supplied their products to over 3600 projects in over 45 countries. The company currently exports 70%

of their products.

Weaknesses

• Working capital intensive operations

The operations of EIPL are working capital intensive in nature marked by Gross Current Asset (GCA) days of 273 days in FY2018. The inventory levels improved from 145 days in FY2017 to 108 days in FY2018. The debtor days stood at 135 days for FY2018. The company has managed to utilize their working capital limits well given their bank utilization limits being at 80-90 percent.

Outlook: Positive

Acuite believes that EIPL will maintain its moderate financial risk profile over the medium term on account of its established track record, experienced management. The outlook may be upgraded in case the company registers higher than expected growth in revenue and while maintaining operating profitability. Conversely, the outlook may be revised to 'stable' in case of lower than expected growth in revenue and decline in profitability or deterioration of the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	244.43	220.99	218.10
EBITDA	Rs. Cr.	51.35	51.19	38.64
PAT	Rs. Cr.	24.63	25.85	11.97
EBITDA Margin	(%)	21.01	23.16	17.72
PAT Margin	(%)	10.08	11.70	5.49
ROCE	(%)	24.67	27.43	24.10
Total Debt/Tangible Net Worth	Times	0.77	1.29	1.64
PBDIT/Interest	Times	5.11	4.91	2.45
Total Debt/PBDIT	Times	1.62	2.10	2.48
Gross Current Assets (Days)	Days	273	270	291

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings / Outlook
02-Jan-2018	Cash Credit	Long Term	43.00	ACUITE BBB/Positive (Reaffirmed)
	Cash Credit	Long Term	13.00	ACUITE BBB/Positive (Reaffirmed)
	Cash Credit	Long Term	41.00	ACUITE

				BBB/Positive (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB/Positive (Assigned)
	Term Loan	Long Term	0.19	ACUITE BBB/Positive (Assigned)
	Term Loan	Long Term	17.00	ACUITE BBB/Positive (Assigned)
	Term Loan	Long Term	56.31	ACUITE BBB/Positive (Reaffirmed)
	Standby Line of Credit	Short Term	2.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee	Short Term	11.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee	Short Term	44.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee	Short Term	13.00	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	6.00	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	4.00	ACUITE A3+ (Reaffirmed)
29-June-2017	Cash Credit	Long Term	31.00	ACUITE BBB/Stable (Reaffirmed)
	Cash Credit	Long Term	13.00	ACUITE BBB/ Stable (Reaffirmed)
	Cash Credit	Long Term	41.00	ACUITE BBB/ Stable (Reaffirmed)
	Term Loan	Long Term	12.00	ACUITE BBB/ Stable (Reaffirmed)
	Standby Line of Credit	Short Term	2.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee	Short Term	7.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee	Short Term	28.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee	Short Term	13.00	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	6.00	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	4.00	ACUITE A3+ (Reaffirmed)
18-Mar-2016	Cash Credit	Long Term	85.00	ACUITE BBB/Stable (Assigned)
	Term Loan	Long Term	12.00	ACUITE BBB/ Stable (Assigned)

	Standby Line of Credit	Short Term	2.00	ACUITE A3+ (Assigned)
	Bank Guarantee	Short Term	48.00	ACUITE A3+ (Assigned)
	Letter of Credit	Short Term	10.00	ACUITE 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 I	Not Applicable	Not Applicable	Not Applicable	13.00	ACUITE BBB / Positive (Reaffirmed)
Cash Credit II	Not Applicable	Not Applicable	Not Applicable	41.00	ACUITE BBB / Positive (Reaffirmed)
Cash Credit III	Not Applicable	Not Applicable	Not Applicable	43.00	ACUITE BBB / Positive (Reaffirmed)
Cash Credit IV	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB / Positive (Reaffirmed)
Term Loan I	Not Applicable	Not Applicable	Not Applicable	16.30	ACUITE BBB / Positive (Reaffirmed)
Term Loan II	Not Applicable	Not Applicable	Not Applicable	5.54	ACUITE BBB / Positive (Reaffirmed)
Standby Line of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3+ (Reaffirmed)
Bank Guarantee I	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE A3+ (Reaffirmed)
Bank Guarantee II	Not Applicable	Not Applicable	Not Applicable	69.00	ACUITE A3+ (Reaffirmed)
Bank Guarantee III	Not Applicable	Not Applicable	Not Applicable	13.00	ACUITE A3+ (Reaffirmed)
Letter of Credit I	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A3+ (Reaffirmed)
Letter of Credit II	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A3+ (Reaffirmed)
Proposed Bank Facilities	Not Applicable	Not Applicable	Not Applicable	51.66	ACUITE BBB / Positive (Assigned)

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About Acuite Ratings & Research:

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