

## Press Release

### Enpro Industries Private Limited

October 04, 2019

### Rating Reaffirmed



<b>Total Bank Facilities Rated</b>	Rs. 285.50 crore
<b>Long Term Rating</b>	ACUITE BBB/ Stable (Reaffirmed – Outlook revised from Positive)
<b>Short Term Rating</b>	ACUITE A3+ (Reaffirmed)

\* Refer Annexure for details

### Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and short-term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the bank facilities of Rs. 285.50 crore of Enpro Industries Private Limited. The outlook is revised to '**Stable**' from '**Positive**'.

The outlook of the company has been revised to 'Stable' from 'Positive' due to significant drop in revenue to Rs.195.13 crore in FY2019 as compared to Rs. 244.43 crore in FY2018. The outlook of the company has also been revised due to deterioration in working capital management marked by high gross current asset (GCA) days of 312 in FY2019 as compared to 273 days in the previous year.

Enpro Industries Private Limited (EIPL) is a Pune-based company established as a proprietorship firm in 1988. The company was later converted into 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

Acuite has considered the standalone business and financial risk profile of EIPL to arrive at the rating.

### 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 maintain long-standing relations with their clients and suppliers. The company's work has been recognized 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 60 per cent of their products to countries in North America, Europe and Asia.

- **Healthy financial risk profile**

The healthy financial risk profile of the company is marked by healthy net worth, comfortable gearing and healthy debt protection metrics. The net worth of the company stood healthy at Rs.132.17 crore in FY2019 as compared to Rs. 109.28 crore in FY2018. This improvement in Networth is mainly due to retention of current year profit. The gearing of the company stands comfortable at 0.88 times as on March 31, 2019 when compared to 0.77 times as on March 31, 2018. The total debt of Rs. 116.24 crore in FY2019 consists of long term loan of Rs. 26.00 crore, short term debt of Rs. 89.72 crore and unsecured loan from promoters of Rs. 0.52 crore. Interest coverage ratio (ICR) is comfortable and stood at 3.98 times in FY2019 as against 5.11 times in FY 2018. The debt service coverage ratio (DSCR) also stood comfortable at 2.61 times in FY2019 as against of 2.62 times in FY2018.

- **Healthy Profitability**

The operating profit margin of the company has increased to 24.79 per cent in FY2019 as compared to 21.01 per cent in previous year. The increase in profitability is mainly on account of decrease in raw material cost. The net profitability of the company has also increased to 11.48 per cent in FY2019 as compared to 10.08 per cent in previous year.

## Weaknesses

- **Working capital intensive nature of operation**

The operations of the company are working capital intensive, which is evident from high GCA days of 312 days in FY2019 as against 273 days in FY2018. This is mainly on account of high inventory period which stood at 145 days and 108 days for FY2019 and FY2018 respectively. The debtor days stood high at 125 in FY2019 as compared to 135 days in FY2018. This high inventory days and collection period is mainly due to inherent nature of engineering goods industry.

## Rating Sensitivity

- Scaling up of operations
- Maintain healthy profit margin as achieved historically ranging from 22 per cent to 25 per cent.
- Working capital management

## Material Covenant

None

## Liquidity Position: Healthy

The company has healthy liquidity marked by healthy net cash accruals of Rs. 28.38 crore as against of Rs. 3.44 crore of yearly debt obligation. The cash accruals of the company are estimated to remain in the range of around Rs. 37.84 crore to Rs. 53.27 crore during 2020-22 against repayment obligations ranging from Rs.8.00 crore. The working capital of the company is stretched, which is marked by high gross current asset days of 312 in FY2019 (Prov.). The unencumbered cash and cash equivalents of Rs. 0.22 crore in FY2019 also support the liquidity of the company. Acuite believes that the liquidity of the company is likely to remain healthy over the medium term on account of healthy cash accruals against debt repayments over the medium term.

## Outlook: Stable

Acuite believes that EIPL will maintain its moderate financial risk profile over the medium term on account of its established track record and experienced management. The outlook may be revised to 'Positive' in case the company registers higher than expected growth in revenue and while maintaining operating profitability. Conversely, the outlook may be revised to 'Negative' 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	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	195.13	244.43	220.99
EBITDA	Rs. Cr.	48.37	51.35	51.19
PAT	Rs. Cr.	23.10	24.63	25.85
EBITDA Margin	(%)	24.79	21.01	23.16
PAT Margin	(%)	11.84	10.08	11.70
ROCE	(%)	19.97	24.67	49.41
Total Debt/Tangible Net Worth	Times	0.88	0.77	1.29
PBDIT/Interest	Times	3.98	5.11	4.91
Total Debt/PBDIT	Times	2.35	1.62	2.10
Gross Current Assets (Days)	Days	312	273	270

## 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
30-Oct-2018	Cash Credit I	Long Term	13.00	ACUITE BBB/Positive (Reaffirmed)
	Cash Credit II	Long Term	41.00	ACUITE BBB/Positive (Reaffirmed)
	Cash Credit III	Long Term	43.00	ACUITE BBB/Positive (Reaffirmed)
	Cash Credit IV	Long Term	10.00	ACUITE BBB/Positive (Reaffirmed)
	Term Loan I	Long Term	16.30	ACUITE BBB/Positive (Reaffirmed)
	Term Loan II	Long Term	5.54	ACUITE BBB/Positive (Reaffirmed)
	Standby Line of Credit	Short Term	2.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee I	Short Term	11.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee II	Short Term	69.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee III	Short Term	13.00	ACUITE A3+ (Reaffirmed)
	Letter of Credit I	Short Term	6.00	ACUITE A3+ (Reaffirmed)
	Letter of Credit II	Short Term	4.00	ACUITE A3+ (Reaffirmed)
	Proposed Bank Facilities	Short Term	51.66	ACUITE BBB/Positive (Reaffirmed)
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)

**\*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit I	Not Applicable	Not Applicable	Not Applicable	13.00	ACUITE BBB/Stable (Reaffirmed)
Cash Credit II	Not Applicable	Not Applicable	Not Applicable	41.00	ACUITE BBB/Stable (Reaffirmed)
Cash Credit III	Not Applicable	Not Applicable	Not Applicable	42.00	ACUITE BBB/Stable (Reaffirmed)
Cash Credit IV	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB/Stable (Reaffirmed)
Term Loan I	Not Applicable	Not Applicable	Not Applicable	43.00	ACUITE BBB/Stable (Reaffirmed)
Term Loan II	Not Applicable	Not Applicable	Not Applicable	17.00	ACUITE BBB/Stable (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 Facility	Not Applicable	Not Applicable	Not Applicable	16.50	ACUITE A3+ (Reaffirmed)

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