

Press Release

Ensol Multiclean Equipments Private Limited (Ensol)

27 June, 2017



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.9.03 Cr
Long Term Rating	SMERA B/Stable (Reaffirmed)
Short Term Rating	SMERA A4 (Reaffirmed)

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA B**' (**read as SMERA B**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs.9.03 crore bank facilities of Ensol Multiclean Equipments Private Limited (Ensol). The outlook is '**Stable**'.

The rating reaffirmation takes into account the steady revenues, profitability and coverage indicators. SMERA believes that going forward the company would improve its business risk profile on account of addition of new customers and geographies.

Ensol, incorporated in 2002 is a Jaipur-based private limited company promoted and managed by Mr. Arun Sharma. The company manufactures and assembles customised waste handling equipments such as garbage compactors and tippers mainly for the state government.

List of key rating drivers and their detailed description:

Strengths:

Experienced management and long track record of operations: The promoter, Mr. Arun Kumar has extensive experience of 15 years in the engineering equipments industry which has helped develop long term relations with customers.

Reputed clientele: Ensol derives support from its reputed customers - Indian Railways (IR), Hindustan Petroleum Corporation Limited (HPCL), Mahindra & Mahindra Limited (M&M), Rail Coach Factory, to name a few.

Weaknesses:

Modest scale of operation: The scale of operations is moderate with operating income of Rs.13.10 crore in FY2015-16 compared to Rs.11.81 crore in FY2014-15. The company registered revenue of ~Rs.30.28 crore till 31 March 31, 2017 (provisional).

Average financial risk profile: The average financial profile is marked by moderate interest coverage, low net worth and high gearing ratio. The interest coverage ratio stands moderate at 1.34 times in FY2016 as compared to 1.29 times in FY2015. The net worth of the company stands low at Rs.3.49 crore as on 31st March, 2016 as compared to Rs.2.24 crore as on 31 March, 2015. The net worth of the company includes unsecured loans of Rs.1.98 crore in FY2016 as compared to Rs.0.96 crore in FY2015 which is from promoters and are subordinated to bank debt; hence SMERA has treated them as quasi equity. Further, the gearing of the company stands high at 2.07 times as on 31 March, 2016 as compared to 1.11 times as on 31 March, 2015.

Intense competition: The company faces intense competition from small and large players which is likely to have an impact on its operating performance and profitability.

Analytical approach: SMERA has considered the standalone business and financial risk profile of the company.

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>

Outlook: Stable

SMERA believes that the company will maintain a stable outlook on the back of the management's extensive experience and established relationships with customers. The outlook may be revised to 'Positive' in case of sustained increase in revenues and accruals while improving profitability margins. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues and accruals or deterioration in profitability.

About the Rated Entity – Key Financials

For FY2016, Ensol reported PAT of Rs.0.23 crore on operating income of Rs.13.10 crore as compared to Rs.0.16 crore on operating income of Rs.11.81 crore for FY2015. The net worth stood at Rs.3.49 crore in FY2016 as against Rs.2.24 crore in the previous year. The net worth of Rs.3.49 crore in FY2016 includes quasi equity of Rs.1.98 crore.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY 2018			FY 2017		FY 2016		FY 2015	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	3.50	SMERA B/Stable (Reaffirmed)	-	-	22 March, 2016	SMERA B/Stable (Assigned)	-	-
Standby Line of Credit	LT	0.53	SMERA B/Stable (Reaffirmed)	-	-	22 March, 2016	SMERA B/Stable (Assigned)	-	-
Term Loan	LT	0.59 (reduced from Rs.0.70 crore)	SMERA B/Stable (Reaffirmed)	-	-	22 March, 2016	SMERA B/Stable (Assigned)	-	-
Proposed Long Term	-	-	-	-	-	22 March, 2016	SMERA B/Stable (Assigned)	-	-
Bank Guarantee	ST	4.41 (increased from Rs.4.00 crore)	SMERA A4 (Reaffirmed)	-	-	22 March, 2016	SMERA A4 (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	3.50	SMERA B/Stable (Reaffirmed)
Standby Line of Credit	N.A	N.A	N.A	0.53	SMERA B/Stable (Reaffirmed)
Term Loan	N.A	N.A	Not Available	0.59 (reduced from Rs.0.70 crore)	SMERA B/Stable (Reaffirmed)
Bank Guarantee	N.A	N.A	N.A	4.41 (enhanced from Rs.4.00 crore)	SMERA A4 (Reaffirmed)

Note on complexity levels of the rated instrument:

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

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ABOUT SMERA

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