

Envy Cylinders Private Limited: Assigned

| Name of the Instruments | Amount (Rs. Crore) | Ratings/Outlook |
|--------------------------|--------------------|----------------------------|
| Cash Credit | 1.00 | SMERA B+/Stable (Assigned) |
| Letter Of Credit | 4.00 | SMERA A4 (Assigned) |
| Bank Guarantee | 0.50 | SMERA A4 (Assigned) |
| Bank Guarantee(Proposed) | 0.50 | SMERA A4 (Assigned) |

SMERA has assigned long term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs.1.00 crore (fund based) facility and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs.5.00 crore (non-fund based) bank facility of Envy Cylinders Private Limited (ECPL). The outlook is '**Stable**'. The ratings are constrained by the weak financial risk profile and tender based business. However, the ratings are supported by the experienced management, long track record of operations and established relationships with Hindustan Petroleum Corporation Limited (HPCL), Indian Oil Corporation Limited (IOCL) and Bharat Petroleum Corporation Limited (BPCL).

ECPL sells LPG cylinders to companies such as HPCL, BCPL and IOCL in a tender based business. The company's below average financial risk profile is marked by modest debt-to-equity ratio at 1.21 times, low interest coverage at 1.72 times and weak debt protection metrics in FY2015. The net cash accruals to total debt have been low at 0.28 times in FY2015.

However, the rating draws comfort from the extensive experience of the promoters and established relations with HPCL, IOCL and BPCL.

Rating Sensitivity Factors

- Increase in scale of operations and profit margins
- Extent of debt funding capex mix
- Continued relationship with HPCL, IOCL, and BPCL

Outlook-Stable

SMERA believes that ECPL will maintain a stable outlook and benefit from the reputed clientele and established relations in the medium term. The outlook may be revised to 'Positive' if ECPL achieves more than envisaged sales and profitability while achieving improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve the targeted revenue growth or improvement in the scale of operations resulting in deterioration of the financial risk profile.

Criteria applied to arrive at the rating:

- Trading entities

About the Company

The Andhra Pradesh-based ECPL, established in 1998 manufactures LPG cylinders and supplies the same to IOCL, HPCL and BPCL.

For FY2014-15, ECPL reported profit after tax (PAT) of Rs.0.05 crore on total operating income of Rs.37.45 crore, as compared with PAT of Rs(0.02) crore on total operating income of Rs.29.35 crore in FY2013-14.

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ABOUT SMERA

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