

CLH Gaseous Fuel Applications Private Limited: Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	3.00	SMERA B+/Stable (Assigned)
Term Loan	5.11	SMERA B+/Stable (Assigned)
Letter of Credit/Bank Guarantee	6.00	SMERA A4 (Assigned)

SMERA has assigned long-term rating of **'SMERA B+' (read as SMERA B plus)** and short-term rating of **'SMERA A4' (read as SMERA A four)** on the Rs.14.11 crore bank facilities of CLH Gaseous Fuel Applications Private Limited (CLH). The outlook is **'Stable'**.

The ratings draw support from an experienced management and moderate financial risk profile backed by low gearing and moderate coverage indicators. However, the ratings are constrained by the small scale of operations and weak liquidity profile (95 per cent bank limit utilised during the period August 2015 to February 2016). SMERA also notes that the company is exposed to intense market competition in the automobile industry.

CLH has achieved operating income of Rs.10.97 crore and profit of Rs.0.28 crore in FY2014-15 as against operating income of Rs.10.98 crore with profit of Rs.0.19 crore in FY2013-14. The company's moderate financial risk profile is marked by small scale of operations and stretched liquidity (95 per cent bank limit utilised during the period August 2015 to February 2016). Moreover, the company has comfortable gearing (debt-to-equity) of 0.71 times as on March 31, 2015 against 0.58 times in FY2013-14. The interest coverage ratio stood at 3.89 times in FY2014-15 against 2.71 times in FY2013-14. The company registered profit after tax (PAT) margin of 2.51 per cent in FY2014-15 as against 1.76 per cent in FY2013-14. CLH operates in an intensely competitive segment of the automobile Industry.

Outlook: Stable

SMERA believes that CLH will maintain a stable outlook over the medium term owing to the established operations and extensive experience of the promoters. The outlook may be revised to 'Positive' in case of significant improvement in operation, profitability and networth. Conversely, the outlook may be revised to 'Negative' if the financial risk profile deteriorates.

Rating Sensitivity Factors

- Scaling up operations while maintaining margins
- Management of working capital funds

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

CLH was incorporated in 2006 by Mr. Shishir Agrawal, and Mr Gagan Agarwal. The company is engaged in the designing and manufacturing of alternate fuel systems, kits for engines, buses among others. Since 2015, the company is engaged in the manufacture of electric rickshaw.

For FY2014–15, the company reported profit after tax (PAT) of Rs.0.28 crore on operating income of Rs.10.97 crore, as compared with PAT of Rs.0.19 crore on operating income of Rs.10.98 crore in FY2013–14. The net worth stood at Rs.6.97 crore as on March 31, 2015 against Rs.6.70 crore a year earlier.

Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.