

Press Release

25 November, 2017

CLH Gaseous Fuel Applications Private Limited (CLH)

Rating Upgraded



Total Bank Facilities Rated *	Rs. 14.11 cr
Long Term Rating	SMERA BB-/ Outlook: Stable (Upgraded)
Short Term Rating	SMERA A4+ (Upgraded)

Refer Annexure for details

Rating Rationale

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

CLH, is a Delhi-based company, incorporated in 2006 by Mr. Shishir Agarwal, and Mr. Gagan Agarwal. The company is engaged in the designing and manufacturing of alternate fuel system, kits for engines and buses among others. The company has also begun manufacturing of Electric Rickshaws (E-rickshaws) for the domestic market from December 2015.

Key Rating Drivers

Strengths

Experienced management

The promoters of CLH viz. Mr. Shishir Agarwal and Mr. Gagan Agarwal have experience of more than two decades in the automobile industry. Thus, the company has been able to forge healthy relationships with its customers and suppliers.

Comfortable liquidity position

The financial risk profile of CLH is moderate marked by networth of Rs.12.02 crore as on 31 March, 2017 compared to Rs.6.32 crore as on 31 March, 2016. The gearing (debt-equity) improved to 0.64 times as on 31 March, 2017 as against 1.38 times as on 31 March, 2016. The total debt of Rs.7.52 crore as on 31 March, 2017 comprises term loan of Rs.2.14 crore, unsecured loan of Rs.1.80 crore and short term working capital facility of Rs.3.58 crore. The interest coverage ratio stood at 2.29 times for FY2016-17 as against 0.66 times for FY2015-16.

SMERA believes that CLH will sustain its moderate financial risk profile on the back of moderate cash accruals in the absence of debt funded capex.

Improvement in the business risk profile

While CLH commenced operations since 2006, the scale has been moderate due to its cautious approach to growth. The company registered operating income of Rs.41.32 crore for FY2016-17 compared to Rs.11.71 crore for FY2015-16. This significant increase in revenue is on account of introduction of a new product i.e. E-Rickshaws in December 2015. E-rickshaws contributed ~25 per cent to total revenue in FY2016-17. The

company has an order book of Rs.15.00 crore to be executed by October 2017. CLH registered operating profit of Rs.2.74 crore in FY2016-17 as against operating loss of Rs.0.09 crore due to high margins in E-rickshaws.

SMERA believes that the new product will enable the company to achieve a healthy revenue growth and profit margins in the medium term.

Weaknesses

Working capital intensive operations

The operations are working capital intensive marked by Gross Current Asset (GCA) days of 110 for FY2016-17 (216 days in FY2015-16). Further, the company has a weak liquidity profile as reflected in its fully utilised working capital limits.

Highly fragmented and competitive industry

CLH operates in a highly competitive segment of the automobile industry with large number of unorganised players and low capital investment requirements.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of CLH Gaseous Fuel Applications Private Limited to arrive at the rating.

Outlook: Stable

SMERA believes that CLH will maintain a stable outlook in the medium term on the back of its established operations and long standing experience of the promoters in the business. The outlook may be revised to 'Positive' in case of significant improvement in operations, profitability and networth. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile and stressed liquidity.

About the Rated Entity - Key Financials

For FY2016-17, CLH reported profit after tax (PAT) of Rs.0.99 crore on operating income of Rs.41.32 crore, compared to net loss of Rs.0.64 crore on operating income of Rs.11.71 crore in FY2015-16. The net worth stood at Rs.6.32 crore as on 31 March, 2017 compared to Rs.6.97 as on 31 March, 2016.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History

Date	Name of Instrument/Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
18-Jul, 2017	Cash Credit	Long Term	3.00	SMERA B+ (Indicative)
	Term Loan	Long Term	5.11	SMERA B+ (Indicative)
	Letter of Credit	Short Term	6.00	SMERA A4 (Indicative)
15-Jul, 2016	Cash Credit	Long Term	3.00	SMERA B+ / Stable (Assigned)
	Term Loan	Long Term	5.11	SMERA B+ / Stable (Assigned)
	Letter of Credit/Bank Guarantee	Short Term	6.00	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	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA BB- / Stable (Upgraded)
Term Loan	Not Applicable	Not Applicable	Not Applicable	5.11	SMERA BB- / Stable (Upgraded)
Letter of Credit / Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA A4+ (Upgraded)

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ABOUT SMERA

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