

Himenviro Environmental Engineering Company Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	15.00	SMERA BB+/Stable (Assigned)
Letter of Credit*	7.00	SMERA A4+ (Assigned)
Inland/Foreign Bank Guarantee	12.50	SMERA A4+ (Assigned)

**Fully interchangeable with buyer's credit limit*

SMERA has assigned rating of '**SMERA BB+**' (read as **SMERA double B plus**) to the Rs.15.00 crore long term (fund based) and '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.19.50 crore short term (non-fund based) bank facilities of Himenviro Environmental Engineering Company Private Limited (HEECPL). The outlook is '**Stable**'. The ratings derive comfort from the experienced management and healthy relations with customers and suppliers. Further, the ratings factor in the moderate financial risk profile and healthy order book. However, the aforementioned strengths are partially offset by the company's working capital intensive operations and intense competition in the pollution control equipment industry.

HEECPL, incorporated in 1993, designs, manufactures and installs energy efficient pollution control equipments for private players in the domestic and overseas market. The company benefits from its experienced management. Mr. Manoj Garg, Director has over three decades of experience in the line of business. Further, the company has healthy relations with customers and suppliers.

HEECPL's moderate financial risk profile is marked by leverage (debt-to-equity ratio) of 1.93 times (provisional) in FY2015-16 against 2.26 times in FY2014-15. The moderate interest coverage ratio was 1.91 times (provisional) in FY2015-16 against 1.75 times in FY2014-15 (refers to financial year, April 01 to March 31) and net cash accruals to total debt (NCA/TD) stood at 0.11 times (provisional) in FY2015-16 against 0.07 times during the previous year. The company has interest bearing unsecured loans from promoters, friends and relatives worth Rs.3.26 crore (provisional) in FY2015-16 that is subordinated to bank debt. SMERA has treated such unsecured loans as quasi-equity.

The company's business risk profile is supported by healthy outstanding order book of around Rs.66 crore as on June 30, 2016. The operations are working capital intensive evident from the gross current assets (GCA) of 247 days (provisional) in FY2015-16 against 253 days during the previous year. The high GCA days emanate from the inventory holding and collection period of 35 days and 148 days (provisional) respectively in FY2015-16 against 42 days and 144 days respectively during the previous year. This resulted in stretched liquidity evident from the limited cushion of Rs.0.40-0.50 crore in fund based working capital limits of Rs.15.00 crore. SMERA believes that over the medium term, the operations will continue to remain capital intensive considering that the company deals with private organisations. The average collection period is four to five months due to multiple projects going on during the year.

Outlook – Stable

SMERA believes that HEECPL will maintain a stable outlook over the medium term owing to its established track record and extensive experience of the management. The outlook may be revised to 'Positive' if the company reports sustained improvement in revenue and profitability profile, working capital cycle or higher than expected cash accruals. Conversely, the outlook may be revised to 'Negative' if the company registers decline in revenue and profitability or deterioration in the capital structure due to elongation of working capital cycle. Any large debt funded capital expansion undertaken by the company may also entail a 'Negative' outlook.

Rating Sensitivity Factors

- Efficient working capital management
- Substantial and sustainable improvement in revenue and profitability profile
- Debt funded capital expansion

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

HEECPL, incorporated in 1993 by Mr. Manoj Garg designs, manufactures and installs energy efficient pollution control equipments such as bag filter systems, filtering separators and dust collectors to name a few.

The company generates around 60 per cent revenue from the domestic market and the balance from overseas (Germany, Switzerland, Netherland). The company has completed more than 1,200 installations across various industries including cement, power, steel, sugar and textile. The manufacturing facilities are located in Uttar Pradesh (Shamli and Noida).

For FY2014-15, the company reported profit after tax (PAT) of Rs.0.52 crore on operating income of Rs.62.13 crore, as compared with profit after tax (PAT) of Rs.0.53 crore on operating income of Rs.83.56 crore in FY2013-14. As per 12 months' provisional financials for FY2015-16, the company booked PAT of Rs.1.26 crore on operating income of Rs.64.90 crore. The net worth stood at Rs.10.75 crore (provisional) in FY2015-16 against Rs.9.49 crore a year earlier.

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ABOUT SMERA

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