

Press Release

Himenviro Environmental Engineering Company Private Limited

August 07, 2018

Rating Assigned & Reaffirmed



Total Bank Facilities Rated*	Rs. 34.50 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 26.50 crore. Further Acuite has assigned short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.8.00 crore bank facilities of Himenviro Environmental Engineering Company Private Limited. The outlook is '**Stable**'.

HEECPL was incorporated in 1993 by Mr. Manoj Garg. It designs, manufactures and installs energy efficient pollution control equipments such as bag filter systems, filtering separators and dust collectors. The company generates around 60 per cent of its revenue from the domestic market and the rest from overseas (Germany, Switzerland and The Netherlands). The company has completed more than 1,200 installations across various industries like cement, power, steel, sugar and textiles. The manufacturing facilities are located in Uttar Pradesh (Shamli and Noida).

Key Rating Drivers

Strengths

- **Experienced management**

HEECPL, established in 1993 is engaged in designing, manufacturing and installations energy efficient pollution control equipments such as bag filter systems, filtering separators and dust collectors. The company is promoted by Mr. Manoj Garg and Mr. Raj Kumar Garg, who possess industry experience of over three decades. Acuite believes that HEECP will benefit from its established position in this industry, experienced management and established relationships with customers and suppliers.

- **Moderate Financial Risk Profile with Stable margins**

The financial risk profile of the company is moderate marked by net worth of Rs.6.97 crore as on 31 March 2018 (Prov) as against Rs.6.80 crore as on 31 March 2017. Gearing (debt-equity) stood at 3.51 times as on 31 March 2018 (Prov) as against 3.60 times as on 31 March 2017. The total debt of Rs.24.46 crore as on 31 March 2018 (Prov) consists of unsecured loans from Directors of Rs.8.84 crore and working capital facility of Rs.15.62 crore. Interest coverage ratio stood at 1.74 times for FY2018 (Prov) as against 1.51 times for FY2017. Total outside liabilities to tangible networth (TOL/TNW) stood at 6.52 times for FY2018 (Prov). EBITDA margin stood at 7.76 per cent for FY2018 (Prov) as against 6.10 per cent in the previous year. Further, PAT margin stood at 1.44 per cent for FY2018 (prov) as against 1.01 per cent for FY2017. Acuite believes that the financial risk profile will remain healthy given its no debt funded capital expenditure plan and steady net cash accruals.

Weaknesses

- **Working Capital Intensive nature of business**

HEECPL operates in a working capital intensive nature of business marked by high Gross Current Asset (GCA) days of 256 for FY2018 (Prov). This is marked by inventory and debtor days of 58 and 141 days respectively for FY2018 (Prov). Further, the bank limit was fully utilized at an average for last six months

ending July 2018.

• **Susceptibility to volatility in raw material prices**

The revenue margins of the company are susceptible to volatility in commodity prices. Any significant changes in commodity prices over supply would have an impact on the margins of the company.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the HEECP to arrive at this rating.

Outlook: Stable

Acuite believes that HEECP will maintain a stable business risk profile in the medium term backed by its promoters' extensive experience and established relation with customers and suppliers. The outlook may be revised to 'Positive' if the company registers more than expected revenues while improving profitability and net cash accruals. However, the outlook may be revised to 'Negative' if the company fails to achieve the expected revenues or profitability leading to deterioration in the debt protection metrics or if the working capital cycle further elongates.

About the Rated Entity - Key Financials

	Unit	FY18 (Prov)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	62.86	56.43	66.11
EBITDA	Rs. Cr.	4.88	4.47	5.21
PAT	Rs. Cr.	0.91	0.57	1.04
EBITDA Margin	(%)	7.76	7.92	7.88
PAT Margin	(%)	1.44	1.01	1.57
ROCE	(%)	14.02	12.93	13.61
Total Debt/Tangible Net Worth	Times	3.51	3.60	3.92
PBDIT/Interest	Times	1.74	1.51	1.85
Total Debt/PBDIT	Times	4.75	4.89	4.72
Gross Current Assets (Days)	Days	256	256	205

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <http://acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <http://acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
15-Nov-17	Cash Credit	Long Term	15.00	ACUITE BB+ (Indicative)

	Letter of Credit	Short Term	7.00	ACUITE A4+ (Indicative)
	Bank Guarantee	Long Term	12.50	ACUITE A4+ (Indicative)
09-Aug-16	Cash Credit	Long Term	15.00	ACUITE BB+ / Stable (Assigned)
	Letter of Credit	Short Term	7.00	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	12.50	ACUITE A4+ (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BB+ / Stable (Reaffirmed)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A4+ (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A4+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	12.50	ACUITE A4+ (Reaffirmed)

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About Acuite Ratings & Research:

Acuite Ratings & Research Limited (*erstwhile SMERA Ratings Limited*) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II

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