

Enar Rubber Reclaim Industries Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Rating/Outlook
Term Loan	5.50	SMERA B/Stable (Assigned)
Cash Credit	2.50	SMERA B/Stable (Assigned)

SMERA has assigned long term rating of '**SMERA B**' (read as SMERA B) on the Rs.8.00 crore long term bank facilities of Enar Rubber Reclaim Industries Private Limited (ERRIPL). The outlook is '**Stable**'. The rating is constrained by the short track record of operations, losses at operating level, working capital intensive business and the highly competitive and fragmented rubber industry. However, the rating draws comfort from the experienced management and constant support from group company, Enar Industrial Enterprises Limited (ENAR).

ERRIPL, incorporated in 2014 by Mr Rajen P Kamani is engaged in the manufacture of reclaim rubber used to make cycle tyres and conveyor belts. In FY2016, the losses at EBITDA level was Rs (0.25) crore as against Rs (0.51) crore in FY2015. The working capital intensive operations are marked by high inventory days of 147.

However, the rating draws comfort from an experienced management. The promoter, Mr. Rajen P Kamani, has experience of more than four decades in auto dealership. The rating also factors in the constant support from group company - ENAR by means of equity infusions of Rs.6 crore and long term interest free unsecured loans of Rs.2.20 crore treated as quasi equity.

Rating Sensitivity Factors

- Scaling up operations while improving profitability
- Efficient working capital management

Outlook – Stable

SMERA believes that ERIPL will maintain a stable outlook in the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the company registers higher-than-expected growth in revenues and net cash accruals while maintaining better profit margins. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues and profitability or deterioration in the financial risk profile owing to higher working capital requirements.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

ERRIPL was incorporated in 2014 by Mr. Rajen Kamani, Ms. Tarulata Kamani and Ms. Bhavya Kamani. The company manufactures reclaim rubber used to make cycle tyres and conveyor belts. The manufacturing facilities are located at Adityapur, Jharkhand. The installed capacity stands at 3600 MT per annum. ERIPL is a wholly-owned subsidiary of ENAR.

For FY2016, the company achieved net profit after tax (PAT) of (Rs.0.16) crore on operating income of Rs.2.73 crore as compared with PAT of Rs.(2.24) crore on operating income of Rs.1.56 crore in FY2015.

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ABOUT SMERA

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