

### Enar Industrial Enterprises Limited: Assigned

Facilities	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	19.75	SMERA BB-/Stable (Assigned)
Channel Financing	20.00	SMERA BB-/Stable (Assigned)

SMERA has assigned long term rating of **'SMERA BB-' (read as SMERA double B minus)** on the Rs.39.75 crore long term bank facilities of Enar Industrial Enterprises Limited (EIEL). The outlook is **'Stable'**. The rating is supported by the company's experienced management. The ratings also draw comfort from the association of the company with Tata Motors Limited (TML). However, the ratings are constrained by the thin profit margins, weak financial risk profile, working capital nature of business and stiff competition from other commercial vehicle dealers.

EIEL was incorporated in 1978 by Mr Rajen P Kamani who possesses experience of over three decades in the commercial vehicle dealership business. The company is an authorised dealer of TML for heavy commercial vehicles (HCV).

However, the profit margins of the company are marked by low operating margin of 2.27 per cent and net profit margins of 0.08 per cent in FY2016. The company's weak financial profile is marked by gearing of 3.72 times, TOL to TNW of 4.85 times, low interest coverage ratio of 1.13 times and NCA/TD of 0.01 times in FY2016. The operations of EIEL are working capital intensive with gross current asset (GCA) days of 101 days in FY2016. This is mainly due to inventory days of around 59 days in FY2016. Also, EIEL faces stiff competition from other TML dealers in Jharkhand as also from other players dealing in heavy commercial vehicles.

#### Rating Sensitivity Factors

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

#### Outlook – Stable

SMERA believes that EIEL 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:

- Trading Entities

#### About the Company

EIEL, incorporated in 1978, is an authorised dealer of TML for heavy commercial vehicles since the former's inception. Promoted by Mr. Rajen P Kamani, EIEL operates two sales, service and spare (3s) outlets at Bokaro and Hazaribagh, four showrooms at Ramgarh, Ranchi, Dhanbad and Koderma and a workshop at Pichhari the state of Jharkhand.

For FY2016, the company achieved net profit after tax (PAT) of Rs.0.16 crore on operating income of Rs.194.83 crore as compared with PAT of Rs.0.10 crore on operating income of Rs.204.23 crore in FY2015.

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