

Press Release

Emco Dynatorq Private Limited

June 09, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 5.34 Cr.
Long Term Rating	SMERA BBB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-**' (read as **SMERA BBB minus**) on the Rs. 5.34 crore bank facilities of Emco Dynatorq Private Limited. The outlook is '**Stable**'.

Emco Dynatorq Private Limited (EDPL), incorporated in 1991 is a Mumbai-based company engaged in the manufacturing of industrial brakes, clutches and other components. The company, promoted by Mr. Dhiren C. Gandhi, Mr. Chandrakant Gandhi and Mr. Sandip Gandhi, has four manufacturing units, two at Vasai near Mumbai and two at Baroda, Gujarat with manufacturing capacity of 60,000 units per annum.

Key Rating Drivers

Strengths

- **Experienced promoters and established relations with marquee clients**

The promoters possess over four decades of experience in the manufacturing of clutches and brakes. The company caters to the domestic as also overseas markets. Its reputed client base in India includes Bharat Bijlee Limited, Lakshmi Machine Works Limited, Torque Technology Limited (USA) to name a few while exports are made to USA, China, European Countries, African countries alongwith the APAC region.

- **Healthy financial risk profile**

The financial risk profile of the company is healthy marked by networth of Rs. 17.68 crore as on 31 March, 2017 (provisional) as against Rs. 15.87 crore in the previous year. Further, the adjusted gearing stood at 0.57 times as on 31st March, 2017 (Provisional) and in the previous year. The total debt of Rs. 10.05 crore as on 31 March, 2017 (Provisional) includes long term and short term borrowings of Rs. 7.54 crore and Rs. 2.51 crore respectively. For arriving at the adjusted gearing, the unsecured loan of Rs. 3.69 crore from promoters has been considered as part of equity (subordinated to bank debt). EDPL has healthy interest coverage ratio. ICR stood at 5.51 times for FY 2017 (provisional) as against 4.48 times in the previous year. The debt service coverage ratio stood at 2.65 times for FY2017 (provisional) and 2.20 times in the previous year. Though the company has reported net loss of Rs. 0.81 crore for FY 2015-16 as against Rs. 1.39 crore in the previous year, the net cash accruals are healthy at Rs. 3.93 crore for FY2016. Further, EDPL has reported Profit After tax of Rs. 1.08 crore for FY 2017 (Provisional). Going forward, the company has debt funded capex plan worth Rs. 3.50 crore for FY2017-18 to be funded through a term loan of Rs. 2.75 crore and the remaining through promoters funds. SMERA believes that the debt funded capex plan will not have any significant impact on the financial risk profile of the company. EDPL will continue to maintain healthy financial risk profile on account of its experienced promoters.

Weaknesses

- **Susceptibility of operating performance**

The company has reported operating income of Rs. 30.12 crore for FY2017 (provisional) and Rs. 25.07 crore for FY2016. Further, the company has reported revenue of Rs. 30.60 crore (provisional) for FY2017. EDPL caters to manufacturers of electrical motors, textile machines, rubber tyre machines among others. Hence, in the event of a slowdown in the end user segments, the performance of EDPL could be impacted.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company for arriving at the rating.

Outlook: Stable

SMERA believes that the outlook of EDPL will remain Stable over the medium term owing to its established presence in the clutch and brakes industry. The outlook may be revised to 'Positive' if the company reports significant growth in revenue and profitability while effectively managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' if the company registers significant decline in its cash accruals or deterioration in the financial risk profile due to stretched working capital cycle or major debt funded capex.

About the Rated Entity - Key Financials

For FY2015-16, EDPL reported net loss of Rs. 0.81 crore on operating income of Rs. 25.07 crore as against net loss of Rs. 1.39 crore on operating income of Rs. 21.42 in the previous year. The net worth stood at Rs. 13.99 crore as on 31 March, 2016 as against Rs. 12.25 crore in the previous year.

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 (Upto last three years)

Not Applicable

*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	3.50	SMERA BBB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.83	SMERA BBB- / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	0.01	SMERA BBB- / Stable

Contacts

Analytical	Rating Desk
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Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 varsha.bist@smera.in
Shashikala Hegde Senior Analyst - Rating Operations Tel: 022-67141321 shashikala.hegde@smera.in	

ABOUT SMERA

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