

Press Release

27 June, 2017

Ess Cee Enterprises

Rating Assigned



Total Bank Facilities Rated	Rs. 13.10 Cr*
Long Term Rating	SMERA B-/Stable

*Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B- (read as 'SMERA B Minus')**' on the Rs. 13.10 crore bank facilities of Ess Cee Enterprises (ECE).

Ess Cee Enterprises is a Bangalore-based partnership firm established by Mr. B.V. Shashidhar, and Mr. K.R. Chandrashekhar. The firm is engaged in the printing and manufacturing of corrugated boxes and has installed capacity of 20 lakh boxes per annum.

Key rating drivers

Strengths:

Long track record of operations and experienced management: Ess Cee Enterprises was established in 1999 and benefits from its long track record of operations. The partners, Mr. K R Chandrashekhar and Mr. B V Shashidhar possess experience of over two decades in printing and packaging.

Reputed customer base: The firm has a reputed customer base. Its clientele includes Bio Plus Life Science, Jockey, Louis Philippe, Van Heusen among others.

Weaknesses

Small scale of operations with stagnant revenues: ECE has small scale of operations with operating income of Rs.16.35 crore in FY2016 compared to Rs.16.38 crore in FY2015 and Rs.16.31 crore in FY2014. The revenues were stagnant due to capacity constraints. However, the firm has expanded capacity to 20 lakhs boxes per day from 10 lakhs boxes. As informed by the management, the firm registered revenue of Rs.16.00 crore from April 2016 to December 2016.

Below average financial risk profile: The below-average financial risk profile is marked by interest coverage ratio of 2.56 times in FY2016 and high gearing of 2.21 times as on 31 March, 2016. The net worth stood low at Rs.3.76 crore as on 31 March, 2016. The RoCE stood at 5.32 per cent as on 31 March, 2016.

Weak liquidity: The firm incurred net loss of Rs. 0.03 crore in FY2016 as against net profit of Rs. 0.11 crore in FY2015. The net cash accruals stood low at Rs. 0.70 crore in FY2016 as against term debt obligation of ~Rs. 1.62 crore.

Outlook: Stable

SMERA believes that ECE will maintain a 'Stable' outlook in the medium term and continue to benefit from its experienced management. The outlook may be revised to 'Positive' if the scale of operations increases substantially while also improving operating profitability and net cash accruals. Conversely, the outlook may be revised to 'Negative' if the firm fails to achieve scalability amidst intensifying competition in its area of operations or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of ECE.

About the Rated Entity - Key Financials

For FY2016, ECE reported net loss of Rs. 0.03 crore on operating income of Rs. 16.35 crore as compared to profit after tax (PAT) of Rs. 0.11 crore on operating income of Rs. 16.38 crore in FY2015. The tangible net worth stood at Rs. 3.76 crore as on 31 March, 2016 as against Rs. 2.65 crore in the previous year.

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

Not Applicable

Any other information

Not Applicable

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): NA

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	N.A.	N.A.	March 2021	5.00	SMERA B-/Stable
Asset Backed Loans	N.A.	N.A.	March 2021	8.10	SMERA B-/Stable

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ABOUT SMERA

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