

Press Release

EMCO TECH EQUIPMENTS PRIVATE LIMITED

December 28, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 14.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 14.00 crore bank facilities of EMCO TECH EQUIPMENTS PRIVATE LIMITED. The outlook is '**Stable**'.

Emco Tech Equipments Private Limited (ETEPL) is a Delhi based company which was incorporated in 2005 to take over all operations of EMCO Tech Marketing, a proprietorship firm, which was established by Mr. Pradeep Kumar Sharma in September 1994. ETEPL is promoted by Mr. Pradeep Kumar Sharma and his wife Ms. Alka Sharma and is an authorised distributor of products of Alcon Laboratories (USA), and Carl Zeiss. The company is engaged in trading and installation of ophthalmic medical equipments including the ones used for eye surgery which are sold mainly to government and army hospitals in India.

Key Rating Drivers

Strengths

- **Experienced Management**

The promoters of ETEPL have more than two decades of experience in trading of medical and healthcare equipments.

- **Moderate Financial Risk Profile**

The company has a moderate financial risk profile, marked by low networth of Rs. 3.41 crore as on 31 March, 2017 as compared to Rs. 3.12 crore as on 31 March, 2016. The debt to equity ratio stood at 0.80 times as on 31 March, 2017 as compared to 0.75 times as on 31 March, 2016. ETEPL has an average interest coverage ratio (ICR) which stood at 2.33 times for FY2017 as compared to 3.22 times for FY2016.

- **Authorized Distributor of Medical Equipment**

The company is an authorized distributor in India for medical equipments of Carl Zeiss, Germany and Alcon Inc., USA, both of which are globally renowned companies.

Weaknesses

- **Average Margin Profile**

ETEPL reported operating margin of 3.06 percent and profit after tax (PAT) margin of 0.67 percent for FY2017 as against operating margin of 3.06 percent and PAT margin of 0.76 percent for FY2016. Margins are mediocre due to trading nature of business.

- **Moderate Working Capital Cycle**

ETEPL has moderate working capital cycle marked by gross current asset (GCA) days of 140 for FY2017 as against 208 for FY2016. The company's moderate working capital cycle is marked by high receivable days which stood at 75 in FY2017 as compared to 81 in FY2016. Further, inventory days have improved significantly to 29 days in FY2017 as compared to 74 days in FY2016.

• High Competitive Intensity

The company faces stiff competition from other integrated players in the industry, ie from organised as well as the unorganised segment.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of the firm to arrive at the rating.

Outlook: Stable

SMERA believes ETEPL will maintain a stable outlook and moderate financial risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers substantial growth in revenues and profitability while maintaining debt protection metrics. The outlook may be revised to 'Negative' in case of deterioration in the firm's financial risk profile or working capital management.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	43.49	34.26	37.35
EBITDA	Rs. Cr.	1.33	1.05	1.19
PAT	Rs. Cr.	0.29	0.26	0.33
EBITDA Margin	(%)	3.06	3.06	3.18
PAT Margin	(%)	0.67	0.76	0.89
ROCE	(%)	18.92	16.01	41.96
Total Debt/Tangible Net Worth	Times	0.80	0.75	0.55
PBDIT/Interest	Times	2.33	3.22	2.88
Total Debt/PBDIT	Times	1.74	1.94	1.23
Gross Current Assets (Days)	Days	140	208	168

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

CRISIL has been consistently following up with Emco Tech Equipments Pvt Ltd (ETEPL) for obtaining information through letters and emails, the latest being dated September 25, 2017 among others, apart from telephonic communication. However, the issuer has remained non cooperative.

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	Not	Not	1.75	SMERA BB- /

	Applicable	Applicable	Applicable		Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	9.75	SMERA A4
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.75	SMERA BB- / Stable
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.75	SMERA A4

Contacts

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ABOUT SMERA

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