

Press Release

Encore Projects Private Limited (EPPL)

April 03, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 7.20 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (**read as SMERA B plus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs. 7.20 crore bank facilities of Encore Projects Private Limited. The outlook is '**Stable**'.

Encore Projects Private Limited (EPPL) was established in the year of 2009 by Mr. Nitin Supe, Mr. Subodh Joshi and Mr. Malay Jain and is engaged in fabrication of steel with an installed capacity of 500 ton per month. The manufacturing plant is located in Bhilai, Chhattisgarh. The company caters to different industries such as sugar, steel, power and coal among others.

Key Rating Drivers

Strengths

- **Experienced management**

The directors of the company, Mr. Nitin Supe has experience of two decades in the fields of design, engineering and fabrication, Mr. Subodh Joshi has experience of 15 years in similar line of operation through other organisation.

- **Moderate scale of operation**

The scale of operation stood moderate at Rs.17.33 crore in FY2017 as compare to Rs.16.41 crore in FY2016. The company has booked Rs.10.00 crore till February in FY2017 (Provisional).

Weaknesses

- **Weak financial risk profile**

The weak financial risk profile of the company is marked by low networth, high gearing and moderate debt protection metrics. The net worth of the company stood low at Rs.2.88 crore in FY2017 as compare to Rs.2.75 crore in FY2016. The gearing of the company stood high at 2.02 times in FY2017 as compare to 1.99 times in FY2016. The total debt of Rs.5.80 crore is consisting of unsecured loan of Rs.5.80 crore and short term debt of Rs.5.02 crore. The interest coverage ratio (ICR) of the company stood comfortable at 1.38 times in FY2017 as compare to 1.40 times in FY2016. The debt service coverage ratio (DSCR) of the company stood comfortable at 1.30 times in FY2017 as compare to 1.19 times in FY2016. The net cash accruals against the total debt stand moderate at 0.05times in FY2017 and in FY2016 respectively.

- **Exposed to volatility in raw material price fluctuation risk**

The input materials of EPPL are iron and steel products like role steel, structural steel, plates, MS fibre, lining material and etc., which accounted for about 77 per cent of the total cost in FY17 (refers to the period April 1 to March 31), the prices of which are highly volatile. Moreover, the company does not have any long term contracts with the suppliers for the purchase of the raw materials.

Hence, the profitability margins of the company are exposed to any sudden spurt in the input material prices coupled with inability of EPPL to pass on the price rise to its customers on the back of majorly fixed price contracts.

Analytical Approach

For arriving at the ratings SMERA has considered the standalone financial performance and financial risk profile of EPPL.

Outlook: Stable

SMERA believes EPPL will continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues while achieving sustained improvement in profit margins and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the firm fails to achieve the projected revenues, or in case of deterioration in the company's financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	17.33	16.41	13.99
EBITDA	Rs. Cr.	1.34	1.14	1.44
PAT	Rs. Cr.	0.14	0.11	0.15
EBITDA Margin (%)	(%)	7.71	6.92	10.26
PAT Margin (%)	(%)	0.79	0.65	1.09
ROCE (%)	(%)	14.08	12.84	33.38
Total Debt/Tangible Net Worth	Times	2.02	1.99	2.73
PBDIT/Interest	Times	1.38	1.40	1.39
Total Debt/PBDIT	Times	4.24	4.61	3.80
Gross Current Assets (Days)	Days	167	203	232

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

NA

Any other information

NA

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	4.85	SMERA B+/Stable
Proposed Long Term	Not Applicable	Not Applicable	Not Applicable	0.95	SMERA B+/Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.40	SMERA A4

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