

Press Release

EIP Enviro Level Controls Private Limited

July 24, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE BB minus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 10.00 crore bank facilities of EIP Enviro Level Controls Private Limited. The outlook is '**Stable**'.

EIP Enviro Level Controls Private Limited (EIP), a Delhi based company was incorporated in 2000 by Dr. Ravinder Goyal and Ms. Sadhna Goyal. The company is engaged in design, manufacture and supply of reliable Point Level & Inventory Control System for silos, bunkers and stockpiles. It also provides customised re-engineer equipments and systems. The company caters to various industries like power plant, coal & ore mines, steel plant, paper & pulp, among others.

Key Rating Drivers

Strengths

- Established track record of operations and experience promoters**

EIP was established in 2000. Mr. Ravinder Goyal has gained experience of over three decades in Business and Project Management in the same industry. He was awarded the Doctorate of Professional Entrepreneurship at the 6th Convocation of European Continental University.

- Reputed clientele**

The company caters to reputed customers like Larsen & Toubro, Macabwer Beekay, McNally Bharat Engineering Company Limited, Andra Pradesh Power Generation Corporation limited, West Bengal Power Distribution Corporation Limited to name a few. Also, the company is exporting to countries like Indonesia, South Africa, and Vietnam, among others.

- Moderate financial risk profile**

The financial risk profile of EIP is moderate marked by tangible net worth of Rs.5.20 crore as on 31 March, 2018 (Provisional) as against Rs.4.23 crore in the previous year. The gearing stood low at 0.50 times as on 31 March, 2018 (Provisional) as against 0.51 times in the previous year. The interest coverage ratio stood healthy at 5.98 times at FY2018 (Provisional) as against 8.81 times in the previous year. The debt service coverage ratio stood at 6.82 times for FY2018 (Provisional) as against 10.39 times in the previous year. The total outside liabilities to tangible net worth (TOL/TNW) stood at 1.96 times as on 31 March, 2018 (Provisional) as against 2.2 times in the previous year.

Weaknesses

- Modest scale of operations**

The company reported operating revenue of Rs.19.98 crore for FY2018 (Provisional) as against Rs.17.27 crore in the previous year. The growth in revenue can be attributed to manufacturing of wide range of products leading to higher customer demand.

- Working capital intensive nature of operations**

EIP has working capital intensive nature of operations marked by Gross Current Assets (GCA) of 203 days for FY2018 (Provisional) as against 239 days for FY2017. This is mainly on account of high debtor days of 146 days for FY2018 (Provisional) and 198 days for FY2017. The company mainly caters to government authorities. Thus, the receivable levels remained stretched due to delay in payments from

government agencies.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of EIP Enviro Level Controls Private Limited to arrive at the rating.

Outlook: Stable

Acuite believes that EIP will maintain a stable business risk profile over the medium term owing to its experienced management and established presence in this industry. The outlook may be revised to 'Positive' if the company reports significant growth in revenue while improving its profitability along with efficiently managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of decline of revenue and deterioration of profit margins or liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	19.98	17.27	16.46
EBITDA	Rs. Cr.	0.73	0.88	0.80
PAT	Rs. Cr.	0.69	0.52	0.45
EBITDA Margin	(%)	3.67	5.11	4.85
PAT Margin	(%)	3.44	3.00	2.71
ROCE	(%)	17.17	16.44	16.65
Total Debt/Tangible Net Worth	Times	0.50	0.51	0.21
PBDIT/Interest	Times	5.98	8.81	7.99
Total Debt/PBDIT	Times	1.94	2.13	0.87
Gross Current Assets (Days)	Days	203	239	209

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

None

Any other information

Not applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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	2.00	ACUITE BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.77	ACUITE BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.25	ACUITE A4+

Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.98	ACUITE A4+
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Contacts

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About Acuité Ratings & Research:

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