

Press Release

Endotherm Fluids India Private Limited

November 27, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 8.84 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE BB minus**) to the Rs. 8.84 crore bank facilities of Endotherm Fluids India Private Limited (EFIPL). The outlook is '**Stable**'.

EFIPL was incorporated in 1988 by Mr. Puthukode Anantharaman Balakrishnan and Mr. Bangalore Kuppusamy Rao Venkatesh. EFIPL is engaged primarily in manufacturing of Auto Components such as Plunger & Retainer, Hub, Shaft worm wheel, Nozzle Holder Body, Hex shaft, End cap among others which are mainly used in four wheeler passenger vehicle segments. Its manufacturing plant is located at SIDCO Industrial Estate in Chennai (Tamil Nadu).

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of EFIPL to arrive at the rating.

Key Rating Drivers

Strengths

- Long and established track record of company and experience of promoters in the auto ancillary industry**

EFIPL has well qualified and experienced personnel to manage the operations. The promoters have an experience of nearly four decades in auto ancillary industry, thus, enabled strong understanding of local market dynamics, and healthy relations with customers and suppliers. It helped the company in bagging healthy orders from its reputed clientele such as Rane NSK Steering Systems Private Limited, Sundaram Fasteners Limited, Autolec Division, Rane (Madras) Limited, Delphi TVS Diesel Systems Limited, Mitsubishi Electric India Private Limited, Brakes India Private Limited among others. The relationship has helped the company in generating steady revenues at a compound annual growth rate of about 15.32 percent over four years through FY2018 at Rs.21.45 crore.

Acuite believes that EFIPL's longstanding presence and relationship with reputed clients is expected to support in improving the business risk profile over the medium term.

- Above average financial risk profile**

EFIPL has above average financial risk profile marked by moderate capital structure and healthy debt protection measures. The net worth is modest at around Rs.5.12 crore as on March 31, 2018 as compared to Rs.4.39 crore as on March 31, 2017. The capital structure is moderate marked by its low gearing at 0.81 times as on March 31, 2018 against 0.43 times as on March 31, 2017 and total outside liabilities to total net worth (TOL/TNW) of 1.96 times in FY2018) which deteriorated from 1.35 times in FY2017. Deterioration in the capital structure and TOL/TNW was due to capex incurred in FY18 of about Rs.2.08 crore. The comfortable profitability coupled with low gearing levels has resulted in healthy debt protection metrics with interest coverage ratio (ICR) of 13.68 times and NCA/TD of 0.35 times in FY2018. EFIPL has an investment plan for setting up of a new manufacturing facility at Hussain Nagaram Village in Thiruvallur (Tamilnadu) with a total investment outlay of Rs.6.40 crore. The company proposes to fund the capex through Rs.4.80 crore of term loan and rest Rs.1.60 crore through unsecured loan.

Acuite believes that with moderate cash accruals and modest regular capex, the financial risk profile is expected to be at similar levels over the medium term.

Weaknesses

• Moderate working capital operations

EFIPL has moderate working capital operations as evident from Gross Current Assets (GCA) days of 144 as on March 31, 2018 as against 115 days as on March 31, 2017. The moderate GCA days were mainly due to high debtor days. The debtor days stood at 92 days as on March 31, 2018; however, its partly supported by suppliers with payables days of 77 for FY18. Moderate working capital management has led to moderate utilisation of working capital limits over the past six months ended October 2018 to the extent of 43percent.

Acuite believes that the working capital operations of the company will remain moderate as evident from moderate collection mechanism and moderate inventory levels in the business.

• Modest scale of operations

The operating revenues of the company stood at Rs.21.47 crore for FY2018 as against Rs.16.72 crore for FY2017 and Rs.13.81 crore for FY2016. The company is operational since 1988, in spite of which its revenues are modest within the industry.

Outlook: Stable

Acuite believes that EFIPL will maintain a 'Stable' outlook over the medium term from its promoters' industry experience. The outlook may be revised to 'Positive' in case of significant growth in its revenues while sustaining the profitability. Conversely, the outlook may be revised to 'Negative' in case of higher-than-expected debt-funded capital expenditure or any stretch in its working capital operations leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	21.47	16.72	13.81
EBITDA	Rs. Cr.	1.83	1.47	1.52
PAT	Rs. Cr.	0.72	0.51	0.53
EBITDA Margin	(%)	8.52	8.77	11.02
PAT Margin	(%)	3.36	3.04	3.81
ROCE	(%)	15.25	14.97	16.03
Total Debt/Tangible Net Worth	Times	0.81	0.43	0.49
PBDIT/Interest	Times	13.68	12.88	15.21
Total Debt/PBDIT	Times	2.17	1.23	1.21
Gross Current Assets (Days)	Days	144	115	118

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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	1.50	ACUITE BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.54	ACUITE BB- / Stable
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	4.80	ACUITE BB- / Stable

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About Acuité Ratings & Research:

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