

July 23, 2013

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	14.50	SMERA BB+/Stable (Assigned)
Letter of Credit*	10.00	SMERA A4+ (Assigned)
Proposed Long Term Bank Facility	10.50	SMERA BB+/Stable (Assigned)

*Fully interchangeable with buyer's credit

SMERA has assigned a long-term rating of '**SMERA BB+**' (read as SMERA Double B Plus) and a short-term rating of '**SMERA A4+**' (read as SMERA A Four Plus) to the Rs.35.00 crore bank facilities of Eco Fuel Systems India Private Limited (EFSIPL). The outlook is '**Stable**'. The ratings are constrained by the company's declining revenues and profitability amidst intense competition. The ratings are further constrained by the company's working capital-intensive operations and exposure to foreign exchange fluctuation risk. However, the ratings are supported by the company's experienced management, established distribution network and moderate financial risk profile.

EFSIPL, incorporated in 2003, is a Mumbai-based company engaged in import and distribution of CNG and LPG kits used in three-wheeler and four-wheeler vehicles. EFSIPL faces intense competitive pressure. The Indian CNG and LPG kit market is highly fragmented, with several players engaged in dealership of fuel kits. EFSIPL's total operating income decreased from Rs.121.02 crore in FY2011-12 (refers to financial year, April 01 to March 31) to Rs.84.58 crore in FY2012-13, a decline of 30 per cent. Moreover the company's net profit declined from Rs.2.59 crore in FY2011-12 to Rs.1.73 crore in FY2012-13. EFSIPL is significantly exposed to foreign exchange fluctuation risk as the company imports most of its material requirements. EFSIPL's operations are working capital-intensive, as reflected in high gross current assets of 296 days as on March 31, 2013. The company's inventory holding period and receivables period is stretched at 170 days and 100 days, respectively in FY2012-13. Moreover, EFSIPL's average utilisation of bank limit is high at 95 per cent during January 2013 to June 2013.

EFSIPL benefits from its experienced management. Mr. Virendra M. Vora, Managing Director of EFSIPL, has around ten years of experience in the company's line of business. EFSIPL has a wide distribution network across Maharashtra, Delhi and Gujarat. The company has moderate debt protection metrics with leverage at 1.36 times as on March 31, 2013 and interest coverage ratio of 1.76 times in FY2012-13.

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Outlook: Stable

SMERA believes that EFSIPL will continue to benefit over the medium term from its experienced management and established distribution network. The outlook may be revised to 'Positive' in case the company registers a sustained improvement in its profit margins while maintaining healthy revenue growth and achieving better working capital management. Conversely, the outlook may be revised to 'Negative' in case of further decline in the company's revenues and profit margins or in case of deterioration in the company's capital structure on account of higher-than-expected working capital requirements.

About the company

EFSIPL, incorporated in 2003, is a Mumbai-based company promoted by Mr. Virendra M. Vora and Ms. Vibha V. Vora. EFSIPL is an importer and distributor of CNG and LPG kits (made by Lovato SPA, Italy) used in three-wheeler and four-wheeler vehicles.

For FY2012-13, EFSIPL reported PAT of Rs.1.73 crore on operating income of Rs.84.58 crore, as compared with PAT of Rs.2.59 crore on operating income of Rs.121.02 crore for FY2011-12. EFSIPL's net worth stood at Rs.22.13 crore as on March 31, 2013, as compared with Rs.20.41 crore a year earlier.

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