

Eco Fuel Systems (India) Private Limited: Suspension Revoked; Rating Assigned

Name of the Instrument	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	14.50	SMERA BB/Stable (Suspension Revoked; Rating Assigned)
Letter of Credit	10.00	SMERA A4+ (Suspension Revoked; Rating Assigned)

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA double B**) and short-term rating of '**SMERA A4+**' (read as **SMERA A four Plus**) on the Rs.24.50 crore bank facilities of Eco Fuel Systems (India) Private Limited (EFSIPL). The outlook is '**Stable**'.

The ratings are constrained by the company's sole product and high dependence on Lovato, decline in revenue growth rate, intense market competition and simplistic business model. The ratings are also constrained by the working capital intensive operations and exposure to foreign exchange fluctuation risk. However, the ratings draw support from the above average financial risk profile marked by low gearing and moderate coverage indicators, improved operating and PAT margins and strong business risk profile.

EFSIPL is headed by Mr. Virendra Vora (Director) who possesses over a decades experience in the auto ancillary industry. The company enjoys long standing relations with its reputed and diversified clientele. The financial risk profile is marked by healthy net worth of Rs.26.65 crore as on 31 March, 2015 together with Interest coverage ratio at 2.11 times and Debt service coverage ratio at 1.76 times as on 31 March, 2015. Further, gearing has been low at 0.75 times as on March 31, 2015.

The margins of the company have shown an increasing trend. In FY2013, EBITDA stood at 7.54 per cent which increased to 7.58 per cent in FY2014 and further to 9.00 per cent in FY2015. Also, the PAT margin was 2.05 per cent in FY2013 which increased marginally to 2.10 per cent in FY2014 and further to 3.03 per cent in FY2015.

Rating Sensitivity Factors

- Scaling up of operations while improving profit margins
- Efficient working capital management
- Increase or decrease in interest cost

Criteria applied to arrive at the ratings:

- Trading Entities

Outlook-Stable

SMERA believes that EFSIPL will continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' if the company's scale of operations increases substantially while maintaining operating profitability and improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' if it fails to achieve scalability amidst intensifying competition or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Company

EFSIPL, established in 2003, is one of the leading importers and distributors of car conversion systems (LPG & CNG) of Lovato Gas S.p.A, Italy. The kits are registered with state transport authorities of Maharashtra LPG & CNG, Delhi, Gujarat and Madhya Pradesh. The company is based in Mumbai, Maharashtra.

In FY2014-15, the company reported net profit of Rs.2.56 crore on operating income of Rs.81.86 crore as compared to net profit of Rs.1.56 crore on operating income of Rs.93.07 crore in FY14.

Date	Name of the Instrument	Amount (Rs. Crore)	Rating Assigned For		Rating Outlook
			Long Term	Short Term	
04 December, 2014	Cash Credit	14.50	SMERA BB+ (Suspended)	-	Stable
	Letter of Credit*	10.00	-	SMERA A4+ (Suspended)	-
	Proposed Long Term Bank Facility	10.50	SMERA BB+ (Suspended)	-	Stable
23 July, 2013	Cash Credit	14.50	SMERA BB+ (Assigned)	-	Stable
	Letter of Credit*	10.00	-	SMERA A4+ (Assigned)	-
	Proposed Long Term Bank Facility	10.50	SMERA BB+ (Assigned)	-	Stable

**Fully interchangeable with buyer's credit*

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ABOUT SMERA

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