

Press Release

Eco Fuel Systems India Private Limited

January 03, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 24.50 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs. 24.50 crore bank facilities of Eco Fuel Systems India Private Limited (EFSI). The outlook is '**Stable**'.

EFSI, a Mumbai-based company was incorporated in 2003. The company is promoted by Directors, Mr. Virendra Vora and Ms. Vibha V Vora. The company is one of the leading importers and distributors of car conversion systems (LPG & CNG) of Lovato Gas S.p.A, Italy. It deals in conversion of three-wheeler and four-wheeler petrol vehicles to eco-friendly gaseous fuel LPG (Liquefied Petroleum Gas) & CNG (Compressed Natural Gas). The kits are in line with international standards and approved by the Automotive Research Association of India (ARAI), Vehicle Research and Development Establishment (VRDE) and Central Institute of Road Transport (CIRT). The kits are also registered with state transport authorities of Maharashtra, Delhi, Gujarat and Madhya Pradesh.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of Eco Fuel Systems for arriving at the rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

The company commenced its operations in 2003 and has been able to establish demand for their products in Indian auto ancillary sector. The company's establish presence and extensive promoters' experience of over a decade has benefited the company by establishing long standing relations with reputed clients including Tata Motors, Honda, Uber, and Ola, among others. The company benefits from its experienced management and distribution network of around 55 dealers in India. Acuité believes that EFSI will continue to benefit from its experienced management and established relations with clients.

- **Moderate financial risk profile**

The financial risk profile is moderate marked by tangible net worth of Rs.34.63 crore as on 31 March, 2018 as against Rs.31.67 crore as on 31 March, 2016. The gearing improved to 0.56 times as on 31 March, 2018 as against 0.74 times as on 31 March, 2017. The total debt of Rs.19.49 crore as on 31 March, 2018 mainly comprises working capital loan. The company has comfortable interest coverage ratio of 3.29 times in FY 2017-18 as against 2.66 times in FY 2016-17. Debt Service Coverage Ratio (DSCR) stood at 1.74 times for FY 2017-18. Acuité believes that Eco Fuel Systems will sustain its financial risk profile in the absence of debt funded capex plans.

Weaknesses

- **Working capital intensive operations**

The operations are working capital intensive marked by high Gross Current Assets (GCA) of 228 days in FY2017-18 and 267 days in FY2016-17 due to high debtor days and moderate inventory holding of 150 and 55 days respectively. The operations are working capital intensive as reflected in the utilised bank limits at ~95.00 percent for last six months ending November 2018. Acuité believes that the efficient working capital management will be crucial to the company to maintain a stable credit profile.

- **High dependence on Lovato Gas S.p.A and intense competition**

The company is an exclusive distributor of Lovato S.p.A for CNG and LPG kits in India. The company is highly dependent on Lovato S.p.A as important raw material. Any predicament faced by the supplier can affect business as well as the financial profile of the company. Further, company is exposed to intense competition from other players in the industry.

Outlook: Stable

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

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	82.25	71.65	65.11
EBITDA	Rs. Cr.	6.71	6.28	6.43
PAT	Rs. Cr.	2.96	2.60	2.43
EBITDA Margin	(%)	8.16	8.77	9.88
PAT Margin	(%)	3.59	3.62	3.73
ROCE	(%)	12.35	11.65	12.91
Total Debt/Tangible Net Worth	Times	0.56	0.74	0.85
PBDIT/Interest	Times	3.29	2.66	2.32
Total Debt/PBDIT	Times	2.84	3.61	3.74
Gross Current Assets (Days)	Days	228	267	359

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
13-Dec-2017	Cash Credit	Long Term	14.50	ACUITE BB / Stable (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A4+ (Reaffirmed)
21-Jun-2016	Cash Credit	Long Term	14.50	ACUITE BB / Stable (Assigned)
	Letter of Credit	Short Term	10.00	ACUITE A4+ (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	14.50	ACUITE BB / Stable (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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