

January 06, 2015

Facilities	Amount (Rs. Crore)	Rating
<b>Cash Credit</b>	<b>7.50</b>	<b>SMERA BB+/Stable (Assigned)</b>
<b>Term Loan</b>	<b>5.00</b>	<b>SMERA BB+/Stable (Assigned)</b>
<b>Cash Credit (proposed)</b>	<b>2.50</b>	<b>SMERA BB+/Stable (Assigned)</b>

SMERA has assigned a long-term rating of '**SMERA BB+** (read as **SMERA double B plus**) to the Rs.15.00 crore bank facilities of Pollutech Engineering (Pollutech). The outlook is '**Stable**'. The rating is supported by the firm's established market position (in Odhisa) and strong association with Volvo India Private Limited. The rating also draws comfort from the firm's experienced management team and moderate financial risk profile. However, the rating is constrained by the firm's working capital-intensive operations. The rating notes that the firm operates in an intensely competitive segment of the construction equipment industry.

Pollutech was established in 1990 by Mr. Dilip Kumar Tripathy. In 2003, the firm entered into an agreement with Volvo Construction Equipment division of Volvo India Private Limited. Pollutech is the sole dealer in Odisha for distribution of Volvo Construction Equipment. The firm has six branches-cum-workshops and four onsite service points. Pollutech benefits from its experienced management. Mr. Dilip Kumar Tripathy, partner of Pollutech, has around two decades of experience in dealership of construction equipment.

Pollutech's moderate financial risk profile is marked by low net worth of Rs.12.43 crore as on March 31, 2014 and comfortable interest coverage ratio of 1.81 times in FY2013-14 (refers to financial year, April 01 to March 31). The firm's gearing (debt-to-capital ratio) is comfortable at 1.03 times as on March 31, 2014. Pollutech's operating profit margin has ranged between 6-7 per cent over the past three years.

Pollutech's operations are working capital-intensive. The firm's gross current assets (GCA) are high at 171 days in FY2013-14 mainly on account of stretched collection period of 89 days. Pollutech's average bank limit utilisation is high at ~94 per cent during May 2014 to November 2014.

Pollutech operates in an intensely competitive segment of the construction equipment industry, which is inherently cyclical in nature.

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**Rating sensitivity factors**

- Ability to scale up operations while maintaining stable profitability
- Working capital management and bank limit utilisation

**Outlook: Stable**

SMERA believes Pollutech will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management and established relations with Volvo India Private Limited. The outlook may be revised to 'Positive' in case the firm registers strong growth in revenues and substantial improvement in profitability while maintaining comfortable capital structure. The outlook may be revised to 'Negative' in case of decline in the firm's profit margins, or in case of deterioration in the firm's financial risk profile on account of increase in debt-funded working capital requirements.

**About the firm**

Pollutech was established in 1990 by Mr. Dilip Kumar Tripathy. In 2003, the firm entered into an agreement with Volvo Construction Equipment division of Volvo India Private Limited. Pollutech is the sole dealer in Odisha for distribution of Volvo Construction Equipment. Pollutech also undertakes sales of spares and servicing of construction equipment.

For FY2013–14, Pollutech reported net profit of Rs.0.53 crore on operating income of Rs.49.92 crore, as compared with net profit of Rs.0.30 crore on operating income of Rs.36.82 crore in FY2012–13. Pollutech's net worth stood at Rs.12.43 crore as on March 31, 2014, as compared with Rs.11.09 crore a year earlier.

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