

February 28, 2017

Enmax Engineering (India) Private Limited

Instruments*	Amount Rated (Rs. crore)	Rating Action
Cash Credit	2.00	[ICRA]B+(Stable) assigned
Bank Guarantee	2.00	[ICRA]B+(Stable) assigned
Unallocated Limits	4.00	[ICRA]B+(Stable) assigned

*Instrument details are provided in Annexure-1

Rating Action

ICRA has assigned the long-term rating of [ICRA]B+(pronounced ICRA B plus) to the Rs 2.00 crore¹ cash credit facility, Rs. 2.00 crore bank guarantee facility and Rs. 4.00 crore unallocated limits of Enmax Engineering (India) Private Limited (EEIPL)[†]. The outlook on long term rating is Stable.

Rationale

The assigned ratings are constrained by relatively small scale of operations of EEIPL with revenue of Rs 19.80 crore in FY2016 and low closing order book position of Rs 6.65 crore as on December 31st 2016. The ratings are further constrained by weak financial profile of EEIPL characterised by low net worth of Rs 2.91 crore as on March 31st 2016, and moderate gearing and coverage indicators. The company derived 43.49% of the revenues from exports in FY2016; in the absence of any hedging mechanism, the revenues and profitability of the company is exposed to fluctuations in exchange rate.

However, the ratings draw comfort from the experience of the promoters in the waste heat recovery engineering industry, established relationship with key clients, which generate repeat orders, and geographically diversified operations with exports contributing to ~44% of the revenues in FY2016.

Key rating drivers

Credit Strengths

- Long Experience of the promoters in the waste heat recovery engineering industry
- Established relationship with key clients, which generate repeat orders
- Geographically diversified operations with exports contributing to ~44% of the revenues in FY2016.

Credit Weakness

- Small scale of operations
- Moderate order book position with unexecuted order book of Rs. 6.65 crore as on December 31, 2016
- Profitability exposed to fluctuations in exchange rate
- Weak Financial profile with Tangible Net worth of Rs. 2.91 crore as on March 31st, 2016.

¹ 100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions please refer to ICRA's website www.icra.in or other ICRA Rating Publications



Description of key rating drivers highlighted above:

The core activities of EEIPL are designing, engineering, manufacturing and supply of waste heat recovery systems for various applications. The product portfolio includes Waste Heat Recovery System, Boiler, Engineering equipment and Boiler spares. The Directors of the company have more than four decades of cumulative professional experience in the waste heat recovery engineering industry. In FY2016, 43.49% of the revenue has been from exports which increased from 12.61% in FY2014 with higher execution of overseas orders. The exports are done to Bangladesh, Nigeria, Indonesia, Kenya etc. The scale of the operations has been small, and as on December 31, 2016, the order book of the company has been modest at Rs 6.65 crore; in 9M FY2017, EEIPL has executed Rs 17.85 crore of orders. The ratings are further constrained by tight liquidity position as reflected in the high utilisation of working capital. The working capital intensity for FY2016 is 20.09% due to high inventory days and higher debtor days.

Going forward, the company's ability to improve its revenue and operating margins, while managing its working capital requirements effectively, will be the key credit-rating sensitivities

Analytical approach: NA

Links to applicable Criteria

Corporate Credit Ratings: A Note on Methodology

About the Company:

Enmax Engineering (India) Private Limited (EEIPL) was incorporated in 2007 by Mr. DVVS Narayana Reddy, Mr. K Jayavardhana Reddy and Mr. G.S. Chandra Obul Reddy who have more than four decades of cumulative professional experience in the waste heat recovery engineering industry. The core activities of EEIPL are designing, engineering, manufacturing and supply of waste heat recovery systems for various applications. The manufacturing unit is situated at Balanagar-Narasapur highway near Jeedimetla industrial area in Hyderabad. The manufacturing facilities of the company are approved by Indian Boiler Regulating authorities (IBR), and Lloyds and Bureau VERITAS Quality Inspection (BVQI). EEIPL holds ISO accreditation (9001:2008) through BVQI.

Status of non-cooperation with previous CRA: Not Applicable.

Any other information: Not Applicable.

Rating History for last three years:
Table: Rating History

S. No.	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. Crores)	Month - year & rating	Month - year & Rating in FY2016	Month - year & Rating in FY2015	Month - year & Rating in FY2014
1	Cash Credit	Long term	8.00	Feb 2017	-	-	-
			2.00	[ICRA]B+ (Stable)	-	-	-
2	Bank Guarantee	Long term	2.00	[ICRA]B+ (Stable)	-	-	-
3	Unallocated Limits	Long Term	4.00	[ICRA]B+ (Stable)	-	-	-

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

**Annexure-1
Details of Instruments**

Name of the instrument	Date of issuance	Coupon rate	Maturity Date	Size of the issue (Rs. Cr)	Current Rating and Outlook
Cash Credit	-	-	-	2.00	[ICRA]B+(Stable) assigned
Bank Guarantee	-	-	-	2.00	[ICRA]B+(Stable) assigned
Unallocated Limits	-	-	-	4.00	[ICRA]B+(Stable) assigned

Source: EEIPL

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