

Rating Advisory

April 30, 2020 | Mumbai

Expo Gas Containers Limited

Advisory as on April 30, 2020

This rating advisory is provided in relation to the rating of Expo Gas Containers Limited

The key rating sensitivity factors for the rating include:

- Scale of operations and operating profits
- Working capital cycle
- Capex and funding thereof
- Capital structure

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL is yet to receive adequate information from Expo Gas Containers Limited (EGCL) to enable it to undertake a rating review. CRISIL is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

If EGCL continues to delay the provisioning of information required by CRISIL to undertake a rating review then, in accordance with circular SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016 and SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 issued by Securities and Exchange Board of India, CRISIL will carry out the review based on best available information and issue a press release.

About the company

EGCL, established in 1982, is promoted by Mr Murtuza S Mewawala, Mr Hasanain S Mewawala, Mr S M Nathai and Mr Shailesh Shah. EGCL is engaged in manufacturing of wide range of process plant equipment such as coded pressure vessels, deaerators, and also undertake turnkey projects and in-plant piping. The company is based out of Mumbai (Maharashtra).

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Rating Rationale

May 10, 2019 | Mumbai

Expo Gas Containers Limited

Ratings Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.40 Crore
Long Term Rating	CRISIL BB-/Stable (Reaffirmed)
Short Term Rating	CRISIL A4+ (Reaffirmed)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has reaffirmed its ratings on the bank facilities of Expo Gas Containers Limited (EGCL) at 'CRISIL BB-/Stable/CRISIL A4+'.

Ratings continue to reflect extensive industry experience of promoters along with reputed clientele and average financial risk profile marked by moderate network and total outside liabilities to adjusted network (TOLANW). These strengths are partially offset by working capital intensive operations and susceptibility of operating performance to tender based nature of operations along with cyclicity in capital expenditure patterns in end-user industry.

Analytical Approach

For arriving at the ratings, CRISIL has treated unsecured loans of around Rs. 4.18 crore (as on March 31, 2018) extended to EGCL by its promoters as neither debt nor equity as the loans are expected to be retained in the business over the medium term.

Key Rating Drivers & Detailed Description

Strengths

* **Extensive experience of promoters and reputed clientele:** Promoters have over 3 decades of experience in the fabrication and EPC construction industry. Over the years backed by promoters experience and understanding of industry dynamics, company has established track record for manufacturing of wide range of process plant equipment which has resulted in relations with reputed clientele from oil and gas and petrochemicals industries- which are key end users.

* **Average financial risk profile:** Moderate network and TOLANW (Rs.22 crore and 1.4 times as on March 31, 2018) along with interest coverage ratio of 1.41 times for fiscal 2018 reflects average financial risk profile. Interest coverage ratio was at around 1.7 times for 9 months ended December 2018.

Weakness

* **Working capital intensive operations:** Operations are working capital intensive as indicated by gross current asset (GCA) days of around 378 as on March 31, 2018 which emanates from high debtors and sizable work in progress. High debtors are on account of significant contractual deposits retained with customers due to the peculiar nature of business leads to elongated working capital cycle. Debtors were at around 110 days as on September 30, 2018 against 129 days as on March 31, 2018.

* **Susceptibility of operating performance to tender based nature of operations along with cyclicity in capital expenditure patterns in end-user industry:** Although on improving trend scale has remained modest in range of Rs 36-60 crore over past 4 years ended fiscal 2018 while operating profits has remained in range of 11.7-15.2% for same period. Company's operating performance is susceptible to tender based nature of business and cyclical demand from end-user industries 'oil and gas and petrochemicals. This is partially offset by current order book provides revenue visibility.

Liquidity

EGCL's liquidity is partly stretched indicated by almost full bank limit utilization with instances of availing adhoc which emanates from the working capital intensive operations. Company is expected to report cash accruals of more than Rs 1.8-2.5 crore per annum in fiscal 2019 and 2020 while it had cash and cash equivalents of Rs 4 crore as on September 30, 2018. Current ratio was moderate at 1.32 times as on March 31, 2018. The company has no major long term repayment obligation and major capex plans in fiscal 2020. Improvement in working capital management thus utilization of bank limits to remain monitorable.

Outlook: Stable

CRISIL expects that EGCL will benefit over the medium term from its experienced management and established clientele base. The outlook may be revised to 'Positive' in case of improvement working capital cycle or significant and sustained improvement in scale of operations along with sustenance of profitability leads to improved liquidity. Conversely, the outlook may be revised to 'Negative', if lower than expected cash accruals or further stretch in working capital cycle or any large unanticipated debt funded capex weakens financial risk profile especially liquidity.

About the Company

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Key Financial Indicators

As on/for the period ended March 31	Unit	2018	2017
Operating income	Rs crore	50.12	37.13
Reported profit after tax	Rs crore	0.09	0.1
PAT margins	%	0.18	0.29
Adjusted Debt/Adjusted Networkth	Times	1.11	1
Interest coverage	Times	1.41	1.34

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Cr)	Rating assigned and outlook
NA	Bank Guarantee	NA	NA	NA	14	CRISIL A4+
NA	Cash Credit	NA	NA	NA	11.19	CRISIL BB-/Stable
NA	Letter of Credit	NA	NA	NA	0.5	CRISIL A4+
NA	Overdraft	NA	NA	NA	14.31	CRISIL A4+

Annexure - Rating History for last 3 Years

		Current		2019 (History)		2018		2017		2016		Start of 2016
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	25.50	CRISIL BB-/Stable/CRISIL A4+			01-03-18	CRISIL BB-/Stable/CRISIL A4+		--		--	--
Non Fund-based Bank Facilities	LT/ST	14.50	CRISIL A4+			01-03-18	CRISIL A4+		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Bank Guarantee	14	CRISIL A4+	Bank Guarantee	14	CRISIL A4+
Cash Credit	11.19	CRISIL BB-/Stable	Cash Credit	10	CRISIL BB-/Stable
Letter of Credit	.5	CRISIL A4+	Drop Line Overdraft Facility	14.31	CRISIL BB-/Stable
Overdraft	14.31	CRISIL A4+	Letter of Credit	.5	CRISIL A4+
--	0	--	Proposed Short Term Bank Loan Facility	1.19	CRISIL A4+
Total	40	--	Total	40	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

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