

January 20, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	3.00	SMERA B+/Stable (Assigned)
Sublimit - Letter of Credit	(2.00)	
Term Loan	0.62	SMERA B+/Stable (Assigned)
Letter of Credit (Proposed)	1.78	SMERA A4 (Assigned)
Bank Guarantee	0.10	SMERA A4 (Assigned)

SMERA has assigned a rating of '**SMERA B+**' (**read as SMERA single B plus**) to the Rs.3.62 crore long-term bank facilities and '**SMERA A4**' (**read as SMERA A four**) to the Rs.1.88 crore short-term bank facilities of Eastern Electrodes & Coke Private Limited (EECPL). The ratings are constrained by the company's small scale of operations, susceptibility to raw material price volatility and exposure to inherent cyclicity in the ferro alloys industry. The ratings are further constrained by the company's modest net worth. However, the ratings are supported by the company's experienced management.

EECPL, incorporated in 2006, is a Durgapur-based company involved in manufacturing of electrode carbon paste (ECP) and tamping paste. EECPL commenced operations in July 2010. The company has a small scale of operations with net sales of Rs.15.14 crore in FY2012-13 (refers to financial year, April 01 to March 31). EECPL's operating profit margin declined from 7.22 per cent in FY2011-12 to 6.11 per cent in FY2012-13 due to increase in raw material cost.

EECPL's net worth is modest at Rs.3.59 crore as on March 31, 2013. The company's leverage, though moderate at 1.51 times as on March 31, 2013, is expected to deteriorate due to higher working capital requirements. EECPL is also exposed to the inherent cyclicity in the ferro alloys industry.

EECPL benefits from its experienced management. Mr. Bachh Raj Jain, Director of EECPL, has around 35 years of experience in the ferro alloys industry. Mr. Sandeep Jain (son of Mr. Bachh Raj Jain), has around eight years of experience in the company's line of business.

Outlook: Stable

SMERA believes EECPL will continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the company scales up its operations while registering better profit margins and generating healthy cash flows. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the projected scalability or in case of deterioration in the company's profitability and financial risk profile on account of higher-than-expected debt funded working capital requirements.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.

About the company

LIL, incorporated in 1995, is a Kolkata-based company promoted by Mr Kamal Kishore Lalwani and his family members. LIL is engaged in manufacturing of ferro alloys such as Ferro Silicon Magnesium, Ferro Aluminium, Ferro Chrome, Ferro Molybdenum and Nickel Magnesium with an aggregate installed capacity of 1,560 MTPA upto FY 2012-13. It is also engaged in trading of Manganese ore, Moly Oxide and Nickle. LIL caters to steel industry and roll manufacturing companies to manufacture SG Iron, Alloy steel, stainless steel and steel roll making. LIL is essentially a family owned and managed entity. The promoter, Mr Kamal Kishore Lalwani, alongwith his son, Mr Sandeep Lalwani, looks after the day-to-day affairs of the company and have been engaged in the business from last three decades.

For FY2012-13, LIL reported PAT of Rs.0.46 crore on operating income of Rs.34.68 crore, as compared with PAT of Rs.0.42 crore on operating income of Rs.38.49 crore for FY2011-12. LIL's net worth stood at Rs.5.26 crore as on March 31, 2013, as compared with Rs.4.80 crore a year earlier.

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