



SMERA RATINGS LIMITED

Chennai Heatreaters Private Limited (CHPL)

*Rating
Rationale*

May 25, 2015

Facilities	Amount (Rs. Crore)	Rating
Term Loan	5.15	SMERA B+/Stable (Assigned)
Cash Credit	1.50	SMERA B+/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA B+**' (read as **SMERA single B plus**) to the abovementioned bank facilities of Chennai Heatreaters Private Limited (CHPL). The outlook is '**Stable**'. The rating is constrained by the company's small-scale operations and exposure to intense competition persistent in the heat treatment business. However, the rating derives comfort from the company's experienced management, reputed clientele and moderate financial risk profile.

CHPL, established in 2004, it is a Chennai-based company engaged in providing heat treatment services to auto component manufacturers. CHPL's small-scale of operation is marked by operating income of Rs.6.20 crore in FY2013-14 (refer to financial year, April 01 to March 31). The company faces intense competition from several players in the heat treatment business.

CHPL benefits from its experience management. The promoters of the company have around 10 year of experience in the heat treatment business. CHPL's moderate financial risk profile is marked by moderate gearing (debt-to-capital ratio) of 1.25 times as on March 2014 and interest coverage ratio (EBIT-to-Interest) of 2.70 in FY 2013-14.

Outlook: Stable

SMERA believes CHPL will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers strong growth in scale of operation. Conversely, the outlook may be revised to 'Negative', in case of deterioration in the company's profit margins, or in case of deterioration in the company's financial risk profile.

About the company

CHPL, established in 2004, it is a Chennai-based company engaged providing heat treatment services on job work basis. CHPL caters to auto components manufacturers.

For FY2013-14, CHPL reported profit after tax (PAT) of Rs.0.25 crore on operating income of Rs.6.19 crore, as compared with PAT of Rs.0.31 crore on operating income of Rs.6.36 crore in FY2012-13. The company's net worth stood at Rs.3.17 crore as on March 31, 2014, as compared with Rs.2.92 crore a year earlier.

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