



SMERA RATINGS LIMITED

Servall Engineering Works Private Limited (SEWPL)

Rating Rationale

August 11, 2015

Facilities	Amount (Rs. Crore)	Rating
Cash Credit - I	6.60#	SMERA B / Stable (Assigned)
Cash Credit - II	4.40*	SMERA B / Stable (Assigned)
Term Loan	3.04	SMERA B / Stable (Assigned)
Letter of credit - I	2.00	SMERA A4 (Assigned)
Letter of credit - II	1.50	SMERA A4 (Assigned)
Bank Guarantee	2.54	SMERA A4 (Assigned)
Letter of Guarantee	8.70	SMERA A4 (Assigned)

*EPC, sublimit to the tune of Rs.1.00 crore; FBD/FBP, sublimit to the tune Rs.0.80 crore

#Sublimits of cash credit: Working capital foreign currency to the tune of Rs. 0.92 crore; Packing Credit to the tune of Rs. 1.50 crore; Bill Discounting to the tune of Rs. 1.20 crore

SMERA has assigned long-term rating of '**SMERA B**' (read as **SMERA single B**) and short-term rating of **SMERA A4** (read as **SMERA A four**) to Servall Engineering Works Private Limited's (SEWPL) above mentioned bank facilities. The rating is constrained by SEWPL's fund diversions to group entities, stressed liquidity, moderate scale of operations and exposure of profit margins to raw material price fluctuations. However, ratings derive comfort from established operational track record and experienced management.

Incorporated in 1989, SEWPL is a Coimbatore-based company that took over the engineering division assets of "Servall Engineering Industries Private Limited", a company incorporated in 1975, engaged in manufacturing and exporting of paper manufacturing machines. The company has diverted funds to group entities in the form of investments to the tune of Rs. 13.69 crore as on March 2014 and has also provided loans and advances to the tune of Rs. 12.43 crores (provisional amount as on March 2015) to its group entities. SEWPL's liquidity remains stretched with ~90 per cent cash credit utilization.

SEWPL's moderate scale of operations is reflected by operating income of Rs. 30.46 crore in FY 2014. The profit margins of the company are exposed to volatility in raw material prices (viz. Mild Steel, Stainless Steel and Consumables).

The company derives benefit from the two decade operational track record of the company and almost four decade industrial experience of the promoters in the paper industry.

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Servall Engineering Works Private Limited (SEWPL)

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Rationale*

About the Company

Incorporated in 1989, SEWPL is a Coimbatore-based company that took over the engineering division assets of “Servall Engineering Industries Private Limited”, a company incorporated in 1975, engaged in manufacturing and exporting of paper manufacturing machines.

SEWPL reported profit after tax (PAT) of 0.52 crore on operating income Rs.30.46 crore for FY2013-14 (refers to financial year, April 01 to March 31), as compared with profit after tax (PAT) of Rs.0.14 crore on operating income of Rs.44.98 crore in FY2012-13. For FY 2014-15 (provisional financials, the company reported revenue of Rs. 30.83 crore.

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