

August 11, 2015

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

\*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.

**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](http://www.smera.in)) for the latest information on any instrument rated by SMERA.

### 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.

### Contact List:

Media/Business Development	Analytical Contacts	Rating Desk
Antony Jose Vice President – Business Development Tel: +91-22-6714 1191 Cell: +91-98208 02479 Email: <a href="mailto:antony.jose@smera.in">antony.jose@smera.in</a> Web: <a href="http://www.smera.in">www.smera.in</a>	Mohit Jain Vice President – Rating Operations Tel: +91-22-6714 1105 Email: <a href="mailto:mohit.jain@smera.in">mohit.jain@smera.in</a>	Tel: +91-22-6714 1184 Email: <a href="mailto:ratingdesk@smera.in">ratingdesk@smera.in</a>

**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](http://www.smera.in)) for the latest information on any instrument rated by SMERA.