



SMERA RATINGS LIMITED

Zenith Engineering Corporation (ZEC)

Rating Rationale

February 12, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	5.20	SMERA BB/Stable (Assigned)
Letter of Guarantee	6.00	SMERA A4+ (Assigned)

SMERA has assigned ratings of '**SMERA BB**' (read as **SMERA double B**) and '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs. 11.20 crore bank facilities of Zenith Engineering Corporation (ZEC). The outlook is '**Stable**'. The ratings draw comfort from the company's experienced management, established operational track record and reputed clientele. The ratings also factor in the company's moderate financial risk profile marked by low gearing and adequate debt protection metrics. However, the ratings are constrained by the firm's modest scale of operations in an intensely competitive electrical equipment industry and working capital intensive nature of operations. The ratings also note the partnership constitution of the firm.

Outlook: Stable

SMERA believes that the outlook on ZEC's rated facilities will remain stable over the medium term on account of the promoter's extensive industry experience and reputed clientele. The outlook may be revised to 'Positive' if the firm achieves higher than expected growth in revenue and profitability while maintaining comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case of lower than expected growth in revenue and profitability or deterioration in the firm's financial risk profile.

Rating Sensitivity Factors

- Ability to scale up operations while maintaining adequate profit margins
- Effective working capital management

About the Company

ZEC, established in 2005, is a Mumbai-based partnership firm engaged in the manufacture of low tension electric control panels and bus duct. The firm is promoted by Mr. Manish Gyani, Mr. Rakesh Zaveri and Mr. Vikas Chavda, who have experience of over 25 years in the electrical control panel manufacturing business. The firm's manufacturing unit is located at Vasai Road, near Mumbai.

In FY2014-15, ZEC reported net profit of Rs.0.83 crore on operating income of Rs.30.87 crore, as compared to net profit of Rs.0.93 crore on operating income of Rs. 30.62 crore in the previous year.

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.



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