

February 12, 2016

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

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.

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