

February 17, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	16.00*	SMERA BB-/Stable (Assigned)
Letter of Credit	13.00	SMERA A4 (Assigned)
Bank Guarantee	5.00	SMERA A4 (Assigned)
Cash Credit (Proposed)	2.00	SMERA BB-/Stable (Assigned)
Term Loan (Proposed)	8.00	SMERA BB-/Stable (Assigned)

*Sublimit ODBD – Rs.11.00 crore, PC/PCFC – Rs.0.80 crore & FDB/FBE – Rs.1.00 crore

SMERA has assigned long term rating of '**SMERA BB-**' (read as **SMERA double B minus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) to the Rs.44.00 crore bank facilities of Greatweld Engineering Private Limited (GEPL). The outlook is '**Stable**'. The ratings derive comfort from the experienced management and reputed customer base. However, the ratings are constrained by the decline in revenues and profitability in FY2015, low interest coverage ratio and working capital intensive operations. The ratings also factor in susceptibility of the profit margins to fluctuations in raw material prices.

Rating Sensitivity Factors

- Scaling up operations and profitability
- Efficient working capital management
- Debt funded capex plan

Outlook – Stable

SMERA believes that the company will continue to maintain a stable business risk profile in the medium term owing to the promoters' extensive industry experience. The outlook may be revised to 'Positive' if the company scales up its operations while improving the profitability and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, deterioration of profit margins or capital structure. Besides, a deteriorating financial risk profile owing to higher-than-expected working capital requirements/debt funded capex may also result in a 'Negative' outlook.

About the Company

GEPL, (the erstwhile Greatweld Steel Grating Private Limited) was established in 2006, under the directorship of Mr. Rakesh Rajan, Mr. Suhas Baddi, Mr. Ravindra Mule and Mr. Sateesh Rane.

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SMERA RATINGS LIMITED

Greatweld Engineering Private Limited (GEPL)

Rating Rationale

The company currently manufactures Mild Steel (MS) gratings and hand rails used in engineering, refineries, cement and other industries related to infrastructure. Going forward, it plans to manufacture valves. The total project cost for the same is around Rs.12.00 crore to be funded through a term loan of Rs.8.00 crore and promoter's contribution of Rs.4.00 crore. GEPL has two manufacturing facilities in Pune, at Markal and Indapur.

For FY2014-15, GEPL reported profit after tax (PAT) of Rs.0.24 crore on operating income of Rs. 63.77 crore, as compared with profit after tax (PAT) of Rs.2.83 crore on operating income of Rs.78.11 crore in FY2013-14.

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