

May 13, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	4.25	SMERA B+/Stable (Assigned)
Term Loan	0.39	SMERA B+/Stable (Assigned)
Bank Guarantee	2.50	SMERA A4 (Assigned)
Inland Letter of Credit (ILC)	0.50	SMERA A4 (Assigned)

SMERA has assigned a long-term rating of '**SMERA B+**' (read as **SMERA B plus**) and short-term rating of '**SMERA A4**' (read as **SMERA A four**) to the Rs.7.64 crore bank facilities of Surya Prakaas Foundry (SPF). The outlook is '**Stable**'. The ratings are constrained by the modest scale of business, concentrated customer base, working capital intensive operations and the highly competitive and fragmented castings industry. However, the ratings draw comfort from the extensive industry experience of the promoters and healthy relations with customers and suppliers.

Outlook: Stable

SMERA believes that SPF will continue to benefit over the medium term from its promoters extensive industry experience. The outlook may be revised to 'Positive' if the firm generates substantial and sustainable revenues or operating margins. Conversely, the outlook may be revised to 'Negative' in case of adverse financial results or if the working capital cycle elongates resulting in a weak financial risk profile.

Rating Sensitivity Factors

- Substantial and sustainable growth in revenues or operating margins
- Efficient working capital management
- Future capex and its funding mix thereof

About the Firm

Established in 2003, SPF is a proprietorship firm promoted by Mr. M. Kanagarajan. The Tamil Nadu-based firm is engaged in the manufacture of castings and has an installed capacity of 2400 MT per annum. The foundry is located at Coimbatore and is fully equipped with moulding, melting and fettling facilities apart from testing and inspection.

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For FY2014-15, SPF reported profit after tax (PAT) of Rs.0.50 crore on operating income of Rs.13.04 crore as compared with PAT of Rs.0.28 crore on operating income of Rs.6.01 crore in the previous year.

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