

### Everon Castings Private Limited: Assigned

Names of the Instrument	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	18.00*	SMERA BB-/Stable (Assigned)
Term Loan	6.76	SMERA BB-/Stable (Assigned)
Bank Guarantee/Inland Letter of Credit/Foreign Letter of Credit	3.00	SMERA A4 (Assigned)
Cash Credit (Proposed)	3.24	SMERA BB-/Stable (Assigned)

\*Includes sub-limit of Packing Credit of Rs. 13.00 crore.

SMERA has assigned ratings of '**SMERA BB-**'(read as **SMERA double B minus**) and '**SMERA A4**' (read as **SMERA A four**) on the Rs.31.00 crore bank facilities of Everon Castings Private Limited (ECPL). The outlook is '**Stable**'.

The ratings draw comfort from the company's experienced management, reputed clientele base and healthy revenue growth. However, the ratings are constrained by the working capital intensive operations and average financial risk profile. The ratings also take into account the susceptibility of profit margins to volatility in raw material prices, exposure to fluctuations in forex rates and intense competition in the foundry industry.

ECPL, incorporated in 2008, is a Coimbatore-based company engaged in the manufacturing of steel castings. The company benefits from its experienced management. Mr. Rajesh B., Managing Director has over two decades of experience in the foundry sector. The company caters to reputed customers across industries in the domestic and overseas markets. ECPL has reported operating income of Rs.69.84 crore for FY2014-15 (refers to financial year, April 01 to March 31) as against Rs.50.87 crore in the previous year, thereby registering a healthy growth of ~37 per cent in FY2014-15.

However, the ratings are constrained by the working capital intensive operations evident by the high gross current asset days of 218 for FY2014-15. Further, the average cash credit limit utilisation for the last six months ended May, 2016 stands at 99.62 per cent. The financial risk profile of the company is average marked by highly geared capital structure and weak debt service coverage ratio alongwith low profitability for FY2014-15. Further, the ratings also factor in the susceptibility of profit margins to volatility in raw material prices and exposure to fluctuations in forex rates amidst intense competition in the foundry industry.

### Outlook-Stable

SMERA believes ECPL will maintain a stable outlook over the medium term on account of its experienced management and established relations with reputed clients. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining comfortable debt protection metrics. Conversely, the outlook may be revised to 'Negative' if the company registers lower-than-expected growth in revenues and profitability or deterioration in financial risk profile.

### Rating Sensitivity Factors

- Scaling up operations and improving profitability
- Effective working capital management
- Debt funded capital expenditure plan

**Criteria applied to arrive at the ratings:**

- Manufacturing Entities

**About the Company**

ECPL, incorporated in 2008, is a Coimbatore-based company engaged in the manufacturing of steel castings. The company is promoted by Mr. R. Rajesh who possesses over two decades of experience in the foundry sector. The installed capacity of the company stands at 6,000 tonnes per annum.

In FY2014-15, ECPL reported profit after tax (PAT) of Rs.0.06 crore on operating income of Rs.69.84 crore, as compared to PAT of Rs.0.12 crore on operating income of Rs.50.87 crore in the previous year. Further, ECPL has reported PAT of Rs.1.21 crore on operating income of Rs.70.29 crore (Provisionals) for FY2015-16.

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**ABOUT SMERA**

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