

### Evershine Smelting Alloy Private Limited: Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	3.50	SMERA BB-/Stable (Assigned)
Bill Discounting	4.00	SMERA A4+ (Assigned)
Buyers Credit	2.50	SMERA A4+ (Assigned)

SMERA has assigned ratings of '**SMERA BB-**'(read as **SMERA double B minus**) and '**SMERA A4+**' (read as **SMERA A four plus**) to the above mentioned bank facilities of Evershine Smelting Alloy Private Limited (ESAPL). The outlook is '**Stable**'. The ratings derive comfort from the moderate financial risk profile and efficient working capital management. The ratings also draw support from the experienced management and long track record. The ratings are however constrained by the moderate scale of operation and susceptibility of profit margins to raw material and forex fluctuation risks.

ESAPL, incorporated in 1997, is a Chennai-based company engaged in the manufacturing of lead, lead alloys and lead oxide through recycling of lead scrap (Battery). The company has a moderate financial risk profile marked by gearing of 0.85 times as on 31 March, 2015. The interest coverage ratio stands at 1.92 times and DSCR at 1.72 times in FY2015. The company's working capital cycle is in the range of 29-35 days. The average working capital utilization stands at 50 per cent.

However, ESAPL benefits from its experienced management and long track record of operations. The promoters, Mr. S. Shekar and Mrs. Maheshwari Shekar have more than two decades of experience in the industry. ESAPL operates on a moderate scale with an operating income of Rs.75.93 crore for FY2014-15. The profitability margin of the company is susceptible to fluctuations in raw material prices (lead) exposing the company to risk of forex fluctuation. The company procures raw material from local suppliers. Raw materials accounts for around 80 per cent of net sales. The company is also exposed to risks with regard to adverse policy changes with respect to waste disposal and pollution control.

#### Rating Sensitivity Factors

- Scaling up operations while maintaining margins
- Changes in prices of raw material
- Changes in government policies

#### Outlook-Stable

SMERA believes ESAPL will maintain a stable outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' if the company registers higher-than-expected growth in revenues and maintains its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues and profitability or deterioration in the financial risk profile.

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

- Manufacturing Entities

### About the Company

ESAPL was incorporated in 1997 by Mr. S Sekar and Maheshwari Sekar who possess around two decades of experience in the industry. The company manufactures lead, lead alloys and lead oxides through recycling of lead scrap. It caters to battery manufacturers in the region as well as in the export markets. The company is also a member of Metal Recycling Association of India. The company operates an ISO 9001:2008 certified facility in Bangalore.

For FY2014-15, ESAPL reported PAT (profit after tax) of Rs.0.52 crore on operating income of Rs.75.93 crore as against PAT of Rs.0.45 crore on operating income of Rs.70.68 crore in the previous year.

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### ABOUT SMERA

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