

Press Release

Eastman Mettcast Limited

February 17, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 17.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (**read as SMERA B plus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs. 17.00 crore bank facilities of Eastman Mettcast Limited. The outlook is '**Stable**'.

The Punjab-based EML (the erstwhile Swift Mettcast Limited) was incorporated in 2006. The company manufactures auto components such as gear boxes, clutch braking systems, clutch covers among others for heavy vehicles and two wheelers. The company is led by Mr. Gaurav Goel, Mrs. Vinita Subhash and Mr. Karan Goel.

Key Rating Drivers

Strengths

- **Experienced management**

The company is headed by Mr. Gaurav Goel, Mrs. Vinita Subhash and Mr. Karan Goel. The promoters have more than a decades experience in the auto component industry.

- **Moderate financial risk profile**

EML has high gearing (debt-to-equity) of 2.78 times as on March 31, 2016 against 3.49 times in FY2014-15. The company has high GCA (Gross current Assets) days of 206 days in FY2015-16 against 237 days in FY2014-15. However, the liquidity profile is stretched with 95 per cent utilisation of bank limit. The DSCR stood at 1.17 times in FY2015-16 against 0.61 times in FY2014-15. The revenue stood at Rs.52.42 cr in FY2015-16 as compared to Rs.48.00 cr in FY2014-15. The profitability of the company improved to Rs.1.45 cr in FY2015-16 against losses of Rs.3.34 cr in FY2014-15. The interest coverage ratio stood at 2.18 times in FY2015-16 as against 1.50 times in FY2014-15. The operating margin stood at 14.69 per cent in FY2015-16 against 11.48 per cent in FY2014-15.

Weaknesses

- **Susceptibility of profit margins:**

The profit margins are susceptible to volatility in raw material prices of aluminium and iron.

- **Intense competition**

The company faces intense competition in the auto component industry from various players which is likely to have an impact on its operating performance and profitability.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

SMERA believes that EML will maintain a stable outlook over the medium term owing to its long

standing presence in the steel industry and extensive experience of the promoters. The outlook may be revised to Positive if the company scales up its revenue with improvement in profit margins. Conversely, the outlook may be revised to Negative if the capital structure and margins deteriorate further affecting the financial risk profile.

About the Rated Entity - Key Financials

For FY2015-16, the company reported profit after tax (PAT) of Rs.1.45 crore on operating income of Rs.52.42 crore, as compared with losses of Rs.3.34 crore on operating income of Rs.48.00 crore in FY2014-15. The net worth stood at Rs.12.94 crore as on March 31, 2016 as against Rs.11.49 crore in the previous year.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Application of Financial Ratios and Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash credit	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA B+ / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A4

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