

## Press Release

### EMERALD FORGE PRIVATE LIMITED

November 06, 2017

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 16.00 Cr.
<b>Long Term Rating</b>	SMERA B- / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

SMERA has assigned long-term rating of '**SMERA B- (read as SMERA B minus )**' on the Rs. 16.00 crore bank facilities of EMERALD FORGE PRIVATE LIMITED. The outlook is '**Stable**'.

The Chennai-based Emerald Forge Private Limited (EFPL), incorporated in 2006 is engaged in the leasing of its warehouse facility. The company also provides consultation in the field of forging, logistic support, container handling. The day-to-day operations are led by the Director, Mr. Murugappan Ramanathan who possesses more than two decades of experience in the steel industry.

### Key Rating Drivers

#### Strengths

- **Stable revenue stream**

EFPL has a lease agreement with Filtercat Products Private Limited and AMB services (lock-in period of 10 years) starting from April 2012 which ensures stable revenue. Moreover, the lease agreement also includes price escalation clause that factors in any increase in operating costs during the tenure.

#### Weaknesses

- **Small scale of operations**

The scale of operations is small with operating income of Rs.0.77 crore in FY2016-17 compared to Rs.0.56 crore in FY2015-16. The operating income includes income of Rs.0.09 crore from consultation and Rs.0.68 crore of rental income in FY2016-17. However, the company expects steady revenue from rental income year on year.

- **Weak capital structure**

EFPL has a weak capital structure marked by negative net worth of Rs.0.03 crore as on 31 March, 2017 compared to negative net worth of Rs.0.13 crore as on 31 March, 2016 on account of accumulated losses. The company was engaged in forging activity until 2012. The total debt includes unsecured loans from the Director of Rs.2.52 crore as on 31 March, 2017. The financial risk profile is weak on account of further capex undertaken.

- **Project execution and implementation risk**

EFPL has plans to set up a warehousing facility (108000 sq ft) at a project cost of Rs.24.76 crore to be funded through unsecured loan of Rs.8.76 crore and term loan of Rs.16.00 crore. The project is expected to be completed by June 2018. The execution of the project is largely depended on the proposed term loan of Rs.16.00 crore which is yet to be sanctioned.

#### Analytical Approach

SMERA has considered the standalone business and financial risk profile of EFPL.

### Outlook: Stable

SMERA believes that the outlook of EFPL would remain stable on account of the consistent revenue expected through lease rental. The outlook may be revised to 'Positive' if the company is able to complete its project on time and achieve momentum in rent receivables. Conversely, the outlook may be revised to 'Negative' in case of significant delay in project completion thus affecting revenue inflow.

### About the Rated Entity - Key Financials

For FY2016-17, EFPL reported net profit of Rs.0.26 crore on operating income of Rs.0.77 crore compared to net profit of Rs.0.19 crore on operating income of Rs.0.56 crore in the previous year. The net worth stood at a negative (Rs.0.03 crore) as on 31 March, 2017 compared to negative (Rs.0.13) crore in the previous year.

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Entities In Services Sector - <https://www.smera.in/criteria-services.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.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. Cr.)	Ratings/Outlook
Proposed	Not Applicable	Not Applicable	Not Applicable	16.00	SMERA B- / Stable

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## ABOUT SMERA

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