

Press Release Ever**Bright Products**

November 07, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 9.40 Cr.
Long Term Rating	SMERA BB+ / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB+**' (**read as SMERA BB plus**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 9.40 crore bank facilities of Ever Bright Products. The outlook is '**Stable**'.

Ever Bright Products (EBP), a proprietorship firm established by Mr. D. Balasundaram in 1976 was reconstituted as a partnership firm in 1984. The firm, engaged in the manufacturing of utensils, diversified into sheet metal stamping in 1992. EBP procures steel sheets from TATA steels and Jindal Steels. The production capacity stood at about 4800 MT per annum. The firm is led by partners, Mr. B. Saravanan, Mrs. S Punitha and Mr. Hareeswar. The day-to-day operations are led by Mr. B. Saravanan.

Key Rating Drivers**Strengths****• Extensive experience**

EBP, established as a proprietorship firm was reconstituted as a partnership firm in 1984. The partners, Mr. B. Saravanan and Mrs. S Punitha possess more than two decades of experience in the said line of business.

• Moderate financial riskprofile

EBP has moderate financial risk profile marked by net worth of Rs.6.25 crore as on 31 March, 2017 (Provisional) compared to Rs.4.09 crore as on 31 March, 2016. The gearing stood at 1.31 times as on 31 March, 2017 (Provisional) as against 1.42 times in the previous year. The gearing is high since the firm has availed bill of exchange facility to the tune of Rs.7.50 crore. The Interest coverage ratio stood healthy at 4.69 times in FY2017 (Provisional) compared to 4.08 times in FY2016. SMERA believes that the financial risk profile will improve in the absence of capex in the short term.

• Modest scale of operations

The operations are modest with operating income of Rs.52.49 crore in FY2016-17 (Provisional) and Rs.37.32 crore in FY2015-16. The increase in revenue is on account of recurring orders from Royal Enfield. Further, the firm registered revenue of ~Rs.34.00 crore from April 2017 - July 2017. The firm has installed machinery of Rs.1.33 crore funded through a term loan of Rs.1.00 crore and partners' capital of Rs.0.33 crore. The firm operates at ~87.00 percent of its total installed capacity.

• Reputed customer base

EBP caters to a reputed clientele and includes Royal Enfield (Eicher Motors Limited), Ashok Leyland Limited, Modine Manufacturing Company among others. SMERA believes that the business risk profile will be supported by its established relations with reputed customers.

Weaknesses

• Client concentration risk

The rating is constrained by high customer concentration risk since EBP generated ~55 percent revenue from Royal Enfield in Q1 FY2017-18.

• Susceptibility of operating margins, forex fluctuation risk

The operating margins of EBP are susceptible to volatility in raw material prices (steel prices). However, the operating margin improved to 7.68 percent in FY2016-17 (Provisional) from 6.56 percent in FY2015-16. The firm is exposed to foreign exchange fluctuation risk since it generates around 30 percent revenue from exports (USA and Spain).

• Risk of capital withdrawal

The financial risk profile is susceptible to the inherent risk of capital withdrawal considering the partnership constitution of the firm. There have been instances of capital withdrawal in FY2016 and FY2017.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the firm for arriving at the rating.

Outlook: Stable

SMERA believes that EBP will maintain a 'Stable' outlook in the medium term on account of its experienced management and established relations with customers. The outlook may be revised to 'Positive' in case the firm registers higher than expected revenues and profit margins. Conversely, the outlook may be revised to 'Negative' in case of lower than expected profit margins or higher than expected debt funded working capital requirements and capital withdrawals.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), EBP reported net profit of Rs.2.75 crore on operating income of Rs.52.49 crore as against net profit of Rs.1.42 crore on operating income of Rs.37.32 crore in the previous year. The net worth stood at Rs.6.25 crore as on 31 March, 2017 (Provisional) as against Rs.4.09 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>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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
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Term loans	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA BB+ / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.80	SMERA BB+ / Stable
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	7.50	SMERA A4+
Proposed	Not Applicable	Not Applicable	Not Applicable	0.10	SMERA BB+ / Stable

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ABOUT SMERA

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