

September 11, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	2.00	SMERA B/Stable (Assigned)
Term Loan	7.50	SMERA B/Stable (Assigned)
Letter of Credit	1.00	SMERA A4 (Assigned)

SMERA has assigned a long term rating of '**SMERA B**' (**read as SMERA B**) and '**SMERA A4**' (**read as SMERA A four**) on the Rs.10.50 crore bank facilities of Balaji Engineering (BE). The outlook is '**Stable**'. The ratings are constrained by the firm's limited operational track record and stretched liquidity position due to delay in receivables marked by high working capital utilisation. The ratings are also constrained by the susceptibility of the profit margins to volatility in raw material prices and risks associated with stabilisation of the plant as per expected operating parameters. However, the ratings draw comfort from the experienced management.

Outlook: Stable

SMERA believes that the company will maintain a stable business risk profile in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers growth in revenues, achieves sustainable profitability while effectively managing working capital. Conversely, the outlook may be revised to 'Negative' in case of lower-than expected cash accruals and deterioration of capital structure.

Rating Sensitivity Factors

- Managing incremental working capital
- Stabilisation of plant as per expected operating parameters
- Scale of operations while improving profitability on sustainable basis.

About the Firm

BE, established in 2013, is a Tamil Nadu-based partnership firm promoted by Mr. Ramanathan and Mrs. Aruna Balaji. The firm is engaged in the trading of stoneware pipes and also undertakes municipal contracts for piping work of sewage systems. BE is setting up a stoneware pipe manufacturing plant in Vriddhachalam, Tamil Nadu with an annual production capacity of 14,400 MT. The commercial production is expected to commence in September, 2015.

For FY2014-15, the firm reported PAT (profit after tax) of Rs.0.34 crore on operating income of Rs.11.20 crore. The firm's net worth stands at Rs.3.62 crore as on March 31, 2015.

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