



SMERA RATINGS LIMITED

EVEREST INSTRUMENTS PRIVATE LIMITED (EIPL)

*Rating
Rationale*

September 5, 2013

| Instrument | Amount (Rs. Crores) | Ratings |
|---|--------------------------|-----------------------------------|
| Cash Credit Sublimit: Buyer's Credit Sublimit: EPC | 2.50 (1.00) (0.10) | SMERA BB+/Stable/ Assigned |
| Term Loan * | 0.33 | SMERA BB+/Stable/ Assigned |
| Bank Guarantee | 2.05 | SMERA A4+/ Assigned |
| Inland/Foreign Letter of Credit Sublimit: Buyer's Credit | 0.50 (0.50) | SMERA A4+/ Assigned |
| FDOD Limit | 1.95 | SMERA BB+/Stable/ Assigned |

*Term loan has been fully repaid as on date

SMERA has assigned ratings of '**SMERA BB+**' (read as **SMERA Double B plus**) to the Rs.4.78 crores long term facilities (fund based) and '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.2.55 crores short term facilities (non-fund based) of Everest Instruments Private Limited (EIPL). The outlook is '**Stable**'. The ratings derive support from the company's experienced management and reputed customer base. The ratings are further supported by the company's healthy financial risk profile marked by low leverage and comfortable coverage indicators. The ratings are however constrained by the company's small scale of operations with decline in revenues in FY2012-13 (refers to financial year, April 01 to March 31).

EIPL is engaged in trading and manufacturing of electronic equipments used in the dairy industry. The company registered revenues of Rs.34.11 crores in FY2012-13 (refers to financial year, April 01 to March 31) as compared with Rs.35.58 crores in FY2011-12. EIPL has a small scale of operations despite a long track record spanning over ten years in the same line of business. Although EIPL's revenues increased consistently over the last five years at a CAGR of ~54 per cent, the company registered 4.14 per cent decline in FY2012-13 revenues. However, EIPL has bagged orders worth Rs.5.61 crores in the first two months of FY2013-14. While most of the company's revenues come from the trading business, manufacturing activity accounts for about 20 per cent to 40 per cent of the total sales. EIPL's profit margins have improved over the years on account of

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favourable changes in the revenue and product mix. The company's net profit margin increased from 1.00 per cent in FY2007-08 to 5.05 per cent in FY2011-12 and 6.12 per cent in FY2012-13. EIPL's focus on efficient receivables management has led to reduction in the company's collection period from 86 days in FY2010-11 to 38 days in FY2012-13. The company also receives discounts on prompt payments made to suppliers.

EIPL has a comfortable liquidity position with average cash credit utilization of ~56 per cent during November 2012 to April 2013. The company's financial risk profile is expected to remain healthy on the back of low dependence on external funds and no significant debt funded expansion plan on the horizon. EIPL's debt protection metrics are strong with total debt-to-equity ratio at 0.97 times as on March 31, 2013 and interest coverage ratio at 10.54 times in FY2012-13. The company has a strong customer base and is poised to benefit from the management's extensive experience in the dairy equipments industry.

Outlook: Stable

EIPL has a 'Stable' outlook. SMERA believes that EIPL will continue to maintain its financial risk profile at a comfortable level on account of the experienced management and reputed clientele. The outlook may be revised to 'Positive' if the company achieves a healthy revenue growth along with a sustained improvement in profit margins and working capital management. Conversely, the outlook may be revised to 'Negative' if there is a significant decline in the company's profit margins or in case of further deterioration in the working capital management.

About the company

EIPL was incorporated in 1999 by Mr. Ajit Patel and Mr. Parimalkumar Patel. The company is engaged in manufacturing and trading of electronic weighing scales, milk analyzers, milk collection systems, ultrasonic cleaners and other electronic dairy equipments. The products are sold under the company's own brand name, 'Everest'. EIPL has an administrative office in Ahmedabad, Gujarat and a factory unit at Visnagar, Gujarat.

The company's directors are qualified and have more than twenty years of experience in the dairy equipments industry. EIPL also has an experienced second line of management.

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In FY2012-13, EIPL reported net profit of Rs.2.09 crores on total income of Rs.34.11 crores as compared with net profit of Rs.1.80 crores on total income of Rs.35.58 crores in FY2011-12.

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