

March 16, 2015

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	6.00	SMERA BB-/Stable (Reaffirmed)
Term Loan I	1.96	SMERA BB-/Stable (Reaffirmed)
Term Loan II	2.04	SMERA BB-/Stable (Reaffirmed)
Term Loan III (Proposed)	3.00	SMERA BB-/Stable (Reaffirmed)

SMERA has reaffirmed the rating of '**SMERA BB-** (read as SMERA double B minus) on the Rs.13.00 crore bank facilities of Santhi Casting Works (SCW). The outlook is '**Stable**'. The rating remains constrained by the firm's small-scale operations and high dependence on the automobile sector. The rating is also constrained by the firm's exposure to intense competition. The rating factors in risks related to the firm's working capital-intensive operations and proprietorship constitution. However, the rating draws comfort from the firm's experienced management and moderate debt protection metrics. The rating also draws comfort from the firm's stable revenue from sale of wind power.

Update

SCW reported profit before tax (PBT) of Rs.1.45 crore on revenue of Rs.23.18 crore in FY2013-14 (refers to financial year, April 01 to March 31), as compared with PBT of Rs.1.36 crore on revenue of Rs.22.92 crore in the previous year. The firm derives ~84 per cent of its total revenues from sale of castings, which are mainly supplied to auto ancillary manufacturers. SCW's casting unit has total capacity of 4,680 metric tonnes per annum (MTPA); however, the firm operates at only 50 per cent of the installed capacity on account of power shortage. SCW derives ~16 per cent of its total revenues from sale of wind power. The firm has eight windmills in Tuticorin and Tirunelveli (Tamil Nadu), with total generation capacity of 4.4 MW.

SCW's operations are working capital-intensive on account of high inventory levels of ~128 days in FY2013-14. The firm's working capital cycle is stretched at 150 days in FY2013-14. SCW's utilisation of working capital limit is moderate at ~86 per cent during July 2014 to January 2015.

Outlook: Stable

SMERA believes SCW will maintain a stable business risk profile over the medium term. The outlook may be revised to 'Positive' in case the firm registers strong growth in scale of operations while achieving a comfortable liquidity position and healthy financial risk profile. The outlook may be revised to 'Negative' in case of deterioration in the firm's financial risk profile.

About the firm

SCW, established in 1971, is a Coimbatore-based proprietorship firm promoted by Mr. M. Kandasamy. SCW undertakes manufacturing of gray iron (GI) and spheroidal graphite (SG) castings. The firm is also engaged in generation of wind power.

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