

May 09, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	3.30	SMERA A-/Stable (Assigned)
Bank Guarantee	3.00	SMERA A2+ (Assigned)
Letter of Credit	0.50	SMERA A2+ (Assigned)

SMERA has assigned ratings of '**SMERA A-**' (**read as SMERA single A minus**) and '**SMERA A2+**' (**read as SMERA A two plus**) to the abovementioned bank facilities of Cori Engineers Private Limited (CEPL). The outlook is '**Stable**'. The ratings are supported by the company's long track record of operations, experienced management and established association with reputed customers. The ratings are further supported by the company's healthy financial risk profile and comfortable liquidity position. However, the ratings are constrained by the decline in the company's revenues and net profit margin amidst intense competition in the engineering industry.

CEPL, established in 1981, is part of the Tamil Nadu-based IGP group. CEPL is engaged in manufacturing of rubber bellows, anti-vibration mounts, rubber lining and industrial rubber gaskets, which are sold under the brand name of CORIRUBBER®. CEPL benefits from its experienced management. The company has long-standing relations with various reputed customers, including Bharat Heavy Electricals Limited, Larsen & Toubro Limited and Kirloskar Oil Engines Limited. CEPL's healthy financial risk profile is marked by low gearing (debt-to-equity ratio) of 0.12 times as on March 31, 2013 and strong interest coverage ratio of 7.86 times in FY2012-13 (refers to financial year, April 01 to March 31). The company's comfortable liquidity position is evidenced by credit balance in cash credit account during August 2013 to February 2014.

CEPL has moderate-scale operations reflected in revenues of Rs.41.95 crore in FY2012-13. The company operates in an intensely competitive segment of the engineering industry. CEPL's profit margins are highly susceptible to volatility in raw material prices. The company's raw material cost as a proportion of total sales is high at ~56 per cent in FY2012-13. CEPL's revenues declined from Rs.41.95 crore in FY2012-13 to Rs.32.08 crore (provisional) in FY2013-14. The company's net profit margin declined from 8.84 per cent in FY2012-13 to 7.70 (provisional) per cent in FY2013-14.

***Disclaimer:** A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.*

Outlook: Stable

SMERA believes the outlook on CEPL's rated facilities will remain stable over the medium term. The company's ability to expand its scale of operations without compromising on profitability and liquidity will be a key rating sensitivity. The outlook may be revised to 'Negative' in case of sharp deterioration in the company's profit margins or capital structure. The outlook may be revised to 'Positive' in case the company registers strong growth in revenues while maintaining stable profit margins.

About the company

CEPL, established in 1982, is a Tamil Nadu-based company engaged in manufacturing of rubber bellows, anti-vibration mounts, rubber lining and industrial rubber gaskets used in industrial piping, pollution control systems, air-conditioning systems and thermal power systems.

CEPL is managed by Mr. V. Lakshmanan, Mr. R.K. Swamy, Mr. V. Balasubramanian, Mr. K. Shyamsundar, Mr. Achutha Krishnamurthi, Mr. R. Natraj, Mr. G. Uma Magesh and Mr. Giridhar Krishna. The company has three factory units in Chennai, Tamil Nadu.

For FY2012-13, CEPL reported net profit of Rs.3.71 crore on total income of Rs.41.95 crore, as compared with net profit of Rs.3.00 crore on total income of Rs.33.75 crore for FY2011-12. Further, the company reported net profit of Rs.2.47 crore (provisional) on total income of Rs.32.08 crore (provisional) in FY2013-14. CEPL's net worth stood at Rs.16.99 crore as on March 31, 2013, as compared with Rs.14.33 crore a year earlier.

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