

May 9, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	5.00	SMERA A+/Stable (Assigned)
Packing Credit	5.00	SMERA A1 (Assigned)
Bill Purchase	7.00	SMERA A1 (Assigned)
Bank Guarantee	4.00	SMERA A1 (Assigned)
Letter of Credit	16.00	SMERA A1 (Assigned)

SMERA has assigned ratings of '**SMERA A+**' (**read as SMERA single A plus**) and '**SMERA A1**' (**read as SMERA A one**) to the abovementioned bank facilities of IGP Engineers Private Limited (IEPL). The outlook is '**Stable**'. The ratings are supported by the company's long track record of operations, experienced management, geographically diversified clientele 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 company's exposure to intense competitive pressure. The ratings are also constrained by the company's uneven revenue stream.

IEPL, established in 1954, is part of the Tamil Nadu-based IGP group. IEPL is engaged in manufacturing metallic and non-metallic gaskets, which are sold under the brand name SPIRAGET®. The company benefits from its experienced management. IEPL caters to customers in India, USA and Europe. The company has long-standing relations with various reputed customers including, Reliance Industries Limited and Larsen & Toubro Limited. IEPL's healthy financial risk profile is marked by low gearing (debt-to-equity ratio) of 0.17 times as on March 31, 2013 and strong interest coverage ratio of 8.38 times in FY2012-13 (refers to financial year, April 01 to March 31). Moreover, the company's comfortable liquidity position is evidenced by credit balance in cash credit account during August 2013 to February 2014.

IEPL operates in an intensely competitive segment of the engineering industry. The company's raw material cost as a proportion of total sales is high at ~63 per cent in FY2012-13. IEPL's profit margins are thus highly susceptible to volatility in raw material prices.

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The company has an uneven revenue stream. IEPL's revenues increased from Rs.110.81 crore in FY2009-10 to Rs.209.23 crore in FY2012-13 and thereafter declined to Rs.184.73 crore (provisional) in FY2013-14.

Outlook: Stable

SMERA believes the outlook on IEPL'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 demonstrates strong growth in revenues while maintaining stable profit margins.

About the company

IEPL was established as a partnership firm (named Industrial General Products) in 1954 and converted into a private limited company in 1979.

IEPL engaged in manufacturing of metallic and non-metallic gaskets. The company is managed by Mr. V. Lakshmanan, Mr. V. Balasubramanian, Mr. K. Shyamsundar, Mr. G. Ganesan, Mr. Achutha Krishnamurthi, Mr. N. Srinivasan and Mr. G. Uma Magesh. IEPL has two factory units in Chennai, Tamil Nadu.

For FY2012-13, IEPL 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) during FY 2013-14. IEPL's net worth stood at Rs.107.88 crore as on March 31, 2013, as compared with Rs.94.99 crore a year earlier.

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