

August 18, 2015

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

SMERA has reaffirmed the rating of '**SMERA A+**' (read as SMERA A plus) and '**SMERA A1**' (read as SMERA A one) on the Rs.37.00 crore bank facilities of IGP Engineers Private Limited (IGPEPL). The outlook is '**Stable**'. The ratings continue to draw comfort from the company's strong market position and extensive experience of promoters in the gasket manufacturing industry. The ratings are also supported by the robust financial risk profile marked by healthy net worth and strong debt protection metrics. However, the ratings are constrained by the susceptibility of the company's profitability to volatility in raw material prices.

Update

IGPEPL recorded provisional revenues of Rs.236 crore during FY2014-15, in line with SMERA's expectations implying healthy revenue growth. The company registered a compounded annual growth rate (CAGR) of 17 per cent over the last five years. SMERA expects the company to sustain its growth momentum over the medium term driven by improving demand from end user industries. The company's operating margins have remained volatile in the range of 12 to 17 per cent over the last five years, due to volatility in raw material prices and change in the revenue mix. SMERA believes that the company's profitability would remain susceptible to volatility in input prices. Despite the volatility in profitability, the company's ratings factor in strong net worth and debt protection metrics. The company's liquidity also remains strong marked by healthy cash accruals, absence of term debt obligations and negligible utilisation of working capital limits.

Outlook: Stable

SMERA believes IGPEPL will continue to benefit over the medium term from the long track record of the promoters in the industry and diverse revenue profile. The outlook may be revised to 'Positive' in case the company registers strong growth in revenue while achieving sustained improvement in profitability leading to further improvement in its business risk profile. The outlook may be revised to 'Negative' in case the company registers lower accruals or in case of deterioration in the company's working capital management leading to deterioration in its liquidity.

Rating Sensitivity Factors

- Sustained improvement in profitability
- Deterioration in working capital management

About the Company

IGPEPL, established in 1954 is engaged in the manufacture of metallic and non-metallic gaskets. The operations are managed by its promoters, Mr. V. Lakshmanan, Mr. V. Balasubramanian, Mr. K. Shyamsundar and others.

Contact List:

Media/ Business Development	Analytical Contact	Rating Desk
Antony Jose Vice President – Business Development Tel: +91-22-6714 1191 Email: antony.jose@smera.in	Mohit Jain Vice President – Rating Operations Tel: +91-22-6714 1105 Email: mohit.jain@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in