

June 17, 2011

**CARE REVISES RATINGS ASSIGNED TO THE BANK FACILITIES OF
EMERALD RESILIENT TYRE MANUFACTURERS PVT. LTD.**

Ratings

Facilities/Instruments	Amount (Rs. Crore)	Ratings¹	Remarks
Long-term Bank Facilities	12.66	'CARE BB' [Double B]	Revised from 'CARE BB+' [Double B Plus]
Long term/Short term Bank facilities	15.25	'CARE BB/PR4' [Double B/PR Four]	Revised from 'CARE BB+/PR4' [Double B Plus/PR four]
Short term bank facilities	2.00	PR4 [PR Four]	Reaffirmed
Total Facilities	29.91		

Rating Rationale

The revision in the long term rating factors in the deterioration in financial risk profile of Emerald characterized by strain in its liquidity position on account of steep increase in raw material prices and increase in gearing levels due to debt-funded capex. The rating also takes into account the low level of margins, limited financial flexibility and relatively small size of operations of the company. The ratings also factor in the company's experienced management team, its niche presence in industrial tyres, wide product profile in solid and pneumatic tyres, efforts taken by the management to bring in long term capital albeit in the form of debt and marginally improved operational performance during the nine months ended Dec'10.

Going forward, ability of the company to increase the sales volume, manage its working capital requirement and sustain profitability margins in the backdrop of increasing raw material prices and generate expected returns from the recent expansions would be the key rating sensitivities.

Company Profile

Emerald Resilient Tyre Manufacturers Private Limited (Emerald) is engaged in the business of manufacturing of solid tyres and industrial pneumatic tyres. The company has manufacturing facilities at SIPCOT industrial estate, Gummidipoondi, Thiruvallur district, Tamil Nadu. As on March'10, the total capacity of solid tyres and industrial pneumatic tyre were 9,000 tons per annum (tpa) and 1,650 tpa respectively. Besides, Emerald also has rubber tube manufacturing capacity of 4 tons/day. These tyres are mainly used in the equipments like forklifts, trolleys, reach trucks, trailers, ground support equipments, road pavers and etc. Emerald has an experienced management team and most of staff has been with the company since inception.

¹Complete definition of the ratings assigned are available at www.careratings.com and in other CARE publications

During FY10, Emerald reported Profit after tax (PAT) of Rs. 0.70 Crore on a total income of Rs. 41.89 Crore. For the nine months period ended December 2010, Emerald reported a PAT of Rs 0.85 Crore on a total income of Rs 36.46 Crore.

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CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to care@careratings.com for any clarifications.

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