

December 21, 2015

## CARE REAFFIRMS RATING ASSIGNED TO THE BANK FACILITIES OF EMERALD RESILIENT TYRE MANUFACTURERS PRIVATE LIMITED

### Ratings

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long term Bank Facilities	21.01 (reduced from 25.03)	<b>CARE BB+ (Double B Plus)</b>	Reaffirmed
Short term Bank Facilities	32.50 (enhanced from 29.50)	<b>CARE A4 (A Four)</b>	Reaffirmed
<b>Total Facilities</b>	<b>53.51 (Rupees Fifty Three crore and Fifty One lakh only)</b>		

### Rating Rationale

The ratings assigned to Emerald Resilient Tyre Manufacturers Private Limited (Emerald) are constrained by the relatively small size of operations of the company, working capital intensive nature of operations and financial risk profile characterized by declining profit margins & leveraged, though marginally improved capital structure.

The ratings, however, derive strength from the well-qualified promoters & experienced management team of Emerald, the company's presence in a niche market with strong client & dealer relationships and its widespread marketing & distribution network. The ratings also factor in the completion of capex in FY15 (refers to the period April 1 to March 31) to improve the manufacturing efficiency at its unit.

Going forward, the ability of the company to increase its scale of operations, improve its profitability, prudently manage the working capital and improve its capital structure will be key rating sensitivities.

### Background

Emerald, promoted in 2002 by Mr V. Thirupathi (former Managing Director of ICICI Credit Corporation Limited), is engaged in the business of manufacturing solid tyres and industrial pneumatic tyres catering to the material handling industry. The industrial pneumatic tyres are made up of solid material (rubber and tyre chord) and inflated with air pressure inside the tyre, while solid tyres are completely made up of solid materials and solid tyres are directly attached to the wheel. These tyres are used mainly in the equipments like forklifts, trolleys, reach trucks, trailers, Ground Support Equipments (GSE), road pavers, etc.

The company has manufacturing facilities at SIPCOT Industrial Estate, Gummidipoondi, Thiruvallur district, Tamil Nadu. As on September 30, 2015, the installed capacity was 9,600 tons p.a. The tyres manufactured by Emerald are sold under the brand name "GRECKSTER". The company also manufactures polyurethane wheel, press on bands, butyl tubes, tyre fitment press for fitting solid tyres and wheel rims. Most of the products of the company are exported to various countries like Saudi Arabia, Russia, Belgium & Thailand. For FY15, exports contributed to 72.45% of the total sales, while the rest was contributed by domestic sales.

For the year ended March 2015, Emerald registered a PAT of Rs.3.3 crore on a total operating income of Rs.90.1 crore. For H1FY16, the company registered a total operating Income of Rs.41.80 crore.

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<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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