

October 29, 2015

To,
National Stock Exchange of India Limited
Exchange Plaza,
Bandra Kurla Complex,
Bandra (East),
Mumbai-400 051

NSE Symbol: EKC
NSE Series: EQ

Dear Sir,

Sub: Revision in the credit rating by CARE (Credit Analysis & Research Ltd.) for bank facilities of Rs. 31.88 Crore availed by the Company from EXIM Bank

In terms of Clause 36 of the Listing Agreement, we hereby inform you that CARE has revised the credit rating from CARE C to CARE D on September 29, 2015 and again revised the same from CARE D to CARE C on October 16, 2015 for the Long Term Fund based bank facilities with regards to EXIM Bank Term Loan of Rs. 31.88 Crore availed by the Company. The letters dated September 29, 2015 and October 16, 2015 are attached herewith as Annexures 1 and 2 respectively.

The Rating Rationales dated October 12 and October 16, 2015 for the above mentioned revision of credit rating are also attached herewith as Annexures 3 and 4 respectively.

Thanking you,

Yours faithfully,
For **Everest Kanto Cylinder Limited**

Bmk

Bhagyashree Kanekar
Company Secretary and Compliance Officer

Encl: a/a

**EVEREST
KANTO
CYLINDER
LIMITED**

**Manufacturers
of high pressure
Seamless
Gas Cylinders**

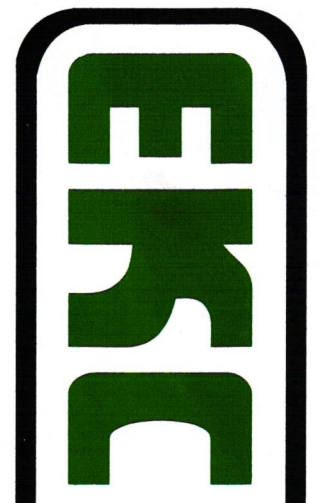
Registered Office
204, Raheja Centre,
Free Press Journal Marg,
214, Nariman Point,
Mumbai 400 021.

CIN L29200MH1978PLC020434

Tel. : +91-22-3026 8300 / 01

Fax : +91-22-2287 0720

Website : www.everestkanto.com



CARE/HO/RI/2015-16/2205
Mr. P. K. Khurana,
Chariman & Managing Director,
Everest Kanto Cylinder Ltd.
204, Raheja Centre,
Free Press Journal Marg,
214, Nariman Point,
Mumbai – 400 021

September 29, 2015

Confidential

Dear Sir,

Credit rating for bank facilities

On the basis of recent developments including operational and financial performance of your company for FY15, our Rating Committee has reviewed the following ratings:

Facilities	Amount (Rs. crore)	Rating ¹	Remarks
Long-term fund based bank facilities (Yes Bank Term Loan)	254.68	CARE D [Single D]	Reaffirmed
Long-term fund based bank facilities (EXIM Bank Term Loan)	31.88	CARE C [Single C]	Revised to CARE D from CARE C and simultaneously upgraded to CARE C
Long-term fund based bank facilities	133.00	CARE C [Single C]	Reaffirmed
Short-term non-fund based bank facilities	50.92	CARE A4 [A Four]	Reaffirmed
Total	470.48 (Rupees Four hundred seventy crore and forty eight lakh only)		

2. Refer **Annexure 1** for details of rated facilities.
3. The rationale for this rating will be communicated to you separately.

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

4. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
5. CARE reserves the right to suspend/withdraw/revise the rating assigned on the basis of new information or in the event of failure on the part of the company to furnish such information, material or clarifications as may be required by CARE. CARE shall also be entitled to publicize/disseminate such suspension / withdrawal / revision in the assigned rating in any manner considered appropriate by it, without reference to you.
6. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
7. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
8. CARE ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.

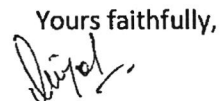
If you need any clarification, you are welcome to approach us in this regard.

Thanking you,



[Rashmi Shetty]
Deputy Manager

rashmi.shetty@careratings.com

Yours faithfully,


[Divyesh Shah]
AGM

divyesh.shah@careratings.com

Encl.: As above

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained

Page 2 of 4

CREDIT ANALYSIS & RESEARCH LTD.

from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.
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.

②

Annexure 1

Details of Rated Facilities

1. Long-term facilities

1. A. Rupee Term Loans

(Rs. crore)

Sr.No.	Lender	Rated Amount
1.	Yes Bank	254.68
2.	EXIM Bank of India	31.88*

*USD 5 million

1. B. Fund based limits

(Rs. crore)

S.No.	Name of Lender	Cash Credit
1.	CITI Bank	22.00
2.	ICICI Bank	7.00
3.	State Bank of Hyderabad	54.00
4.	Yes Bank	20.00#
5.	Proposed	30.00
	Total	133.00

#Re-classification of LC limit to the extent of Rs.10.00 crore as CC

Total long term facilities (1.A+1.B) - Rs.419.56 crore

2. Short-term instruments

(Rs. crore)

S.No.	Name of Lender	LC*
1.	ICICI Bank	13.92
2.	State Bank of Hyderabad	27.00
3.	Yes Bank	10.00#
	Total	50.92

*LC=Letter of credit #Re-classification of LC limit to the extent of Rs.10.00 crore as CC

②

Total short term facilities - Rs.50.92 crore

CARE/HO/RL/2015-16/2448
Mr. P. K. Khurana,
Chairman & Managing Director,
Everest Kanto Cylinder Ltd.
204, Raheja Centre,
Free Press Journal Marg,
214, Nariman Point,
Mumbai – 400 021

October 16, 2015

Confidential

Dear Sir,

Credit rating for bank facilities

On the basis of recent developments including operational and financial performance of your company for FY15, our Rating Committee has reviewed the following ratings:

Facilities	Amount (Rs. crore)	Rating ¹	Remarks
Long-term fund based bank facilities (Yes Bank Term Loan)	254.68	CARE D [Single D]	Reaffirmed
Long-term fund based bank facilities (EXIM Bank Term Loan)	31.88	CARE C [Single C]	Revised from CARE C (Single C) to CARE D (Single D) and then revised to CARE C (Single C)
Long-term fund based bank facilities	103.00	CARE C [Single C]	Reaffirmed
Proposed Long-term fund based bank facilities	30.00	CARE C [Single C]	Withdrawn
Short-term non-fund based bank facilities	50.92	CARE A4 [A Four]	Reaffirmed
Total	470.48 (Four hundred & seventy crore and forty eight lakhs)		

2. Refer Annexure 1 for details of rated facilities.
3. The rationale for this rating will be communicated to you separately.

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5. CARE reserves the right to suspend/withdraw/revise the rating assigned on the basis of new information or in the event of failure on the part of the company to furnish such information, material or clarifications as may be required by CARE. CARE shall also be entitled to publicize/disseminate such suspension / withdrawal / revision in the assigned rating in any manner considered appropriate by it, without reference to you.
6. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
7. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
8. CARE ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,



[Rashmi Shetty]
Deputy Manager

rashmi.shetty@careratings.com



[Divyesh Shah]
AGM

divyesh.shah@careratings.com

Encl.: As above

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CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained

Page 2 of 4

CREDIT ANALYSIS & RESEARCH LTD.

CORPORATE OFFICE: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (E), Mumbai 400 022.
Tel.: +91-22-6754 3456; Fax: +91-22-6754 3457 | Email: care@careratings.com | www.careratings.com

(CARE) (CARE) (CARE) (CARE) (CARE)

from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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.

Q

**Annexure 1
Details of Rated Facilities**

1. Long-term facilities

1. A. Rupee Term Loans

(Rs. crore)

Sr.No.	Lender	Rated Amount
1.	Yes Bank	254.68
2.	EXIM Bank of India	31.88*

*USD 5 million

1. B. Fund based limits

(Rs. crore)

S.No.	Name of Lender	Cash Credit
1.	CITI Bank	22.00
2.	ICICI Bank	7.00
3.	State Bank of Hyderabad	54.00
4.	Yes Bank	20.00#
5.	Proposed	30.00
	Total	133.00

Total long term facilities (1.A+1.B) - Rs.419.56 crore

2. Short-term instruments

(Rs. crore)

S.No.	Name of Lender	LC*
1.	ICICI Bank	13.92
2.	State Bank of Hyderabad	27.00
3.	Yes Bank	10.00#
	Total	50.92

*LC=Letter of credit

Total short term facilities - Rs.50.92 crore

CARE/HO/RR/2015-16/1475
Mr P K Khurana,
Chariman & Managing Director,
Everest Kanto Cylinder Ltd.
204, Raheja Centre,
Free Press Journal Marg,
214, Nariman Point,
Mumbai - 400 021

October 12, 2015

Dear Sir,

Credit rating of Bank Facilities for Rs.11.65 crore

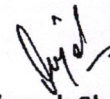
Please refer to our letter(s) dated September 29, 2015 on the above subject.

1. The rationale for the rating is attached as an **Annexure - I**.
2. A write-up (brief rationale) on the above rating is proposed to be issued to the press shortly. A draft of this is enclosed for your perusal as **Annexure - II**.

If you have any further clarifications, you are welcome to approach us.

Thanking you,

Yours faithfully,



[Divyesh Shah]
AGM

divyesh.shah@careratings.com

Encl: As above

Annexure - I

Rating Rationale

Everest Kanto Cylinder Ltd.

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Fund-based Bank Facilities (Yes Bank Term Loan)	254.68	CARE D (Single D)	Reaffirmed
Long-term Fund-based Bank Facilities (EXIM Bank Term Loan)	31.88	CARE C (Single C)	Revised from CARE C (Single C) to CARE D (Single D) and then revised to CARE C (Single C)
Long-term Fund-based Bank Facilities	133.00	CARE C (Single C)	Reaffirmed
Short-term Non-fund-based Bank Facilities	50.92	CARE A4 (A Four)	Reaffirmed
Total Facilities	470.48 (Rupees Four Hundred Seventy crore and Forty Eight lakh only)		

Rating Rationale

The ratings assigned to the bank facilities of Everest Kanto Cylinder Ltd. (EKCL) takes into account stretched liquidity position of the company weakening its debt servicing ability and heightened business risk with waning demand leading to drop in operating income and increasing losses. However, the delays in interest were recognized in the loan availed from EXIM Bank which has been regularized since May 2015 and there have been no instances of delay. The ratings are further constrained by eroding net worth base with continuous losses, stretched operating cycle and foreign currency risk.

The rating continues to take into account the wide experience of the promoters in the same line of business and its wide range of product portfolio.

Going forward, revival in demand for EKCL's products resulting in improvement in its operational performance may weigh positively on the credit profile of the company. At the same time, EKCL's ability to reduce its high cost debt burden continues to be the key rating sensitivity.

Background

Incorporated in 1978, EKCL has three facilities to manufacture cylinders located at Tarapur in Maharashtra and Gandhidham & Kandla in Gujarat. Apart from its domestic operations, EKCL has developed presence in the

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

international high pressure seamless cylinders market through various subsidiaries (including step-down), with manufacturing facilities in Dubai, China & USA and marketing offices in Thailand & Germany.

EKCL's products find application in various industries such as automobile OEMs, CNG cylinder retrofitters, gas distribution companies, healthcare, defence etc.

Credit Risk Assessment

Deterioration in the overall financial profile leading to continuous delays

On account of industrial slowdown and slump in its product demand, the overall financial profile of the company has deteriorated with de-growth in the total income of the company. Furthermore, with mounting operational expenses; the company continues to post losses in FY15. Thus continuous losses have resulted in stressed liquidity position thereby leading to delays in servicing of debt.

Furthermore the overall capital structure of the company has been deteriorating over the years due to the mounting debt levels and decline in net worth on account of losses.

Financial Performance

For the period ended / as at March 31,	(Rs. Cr)		
	2013 (12m, A)	2014 (12m, A)	2015 (12m, A)
Working Results			
Net Sales	239.58	199.09	177.16
Total Operating income	256.35	214.74	190.61
PBILDT	-2.11	-18.01	-12.37
Interest	34.48	49.51	50.84
Depreciation	22.54	22.42	17.15
PBT	-58.71	-88.33	-99.13
PAT (after deferred tax)	-47.50	-88.33	-99.13
Gross Cash Accruals	-36.17	-65.91	-81.98
Financial Position			
Equity Capital	21.43	21.43	21.43
Networth	370.64	282.80	182.94
Total capital employed	748.11	680.52	598.28
Key Ratios			
<i>Growth</i>			
Growth in Total income (%)	-20.17	-16.23	-11.23
Growth in PAT (after D. Tax) (%)	288.79	85.97	12.23
<i>Profitability</i>			
PBILDT/Total Op. income (%)	-0.82	-8.39	-6.49
PAT (after deferred tax)/ Total income (%)	-18.53	-41.13	-52.01
ROCE (%)	-3.01	-5.56	-7.61
Average cost of borrowing (%)	9.88	12.81	12.53
<i>Solvency</i>			
Long Term Debt Equity ratio (times)	0.83	1.10	1.69
Overall gearing ratio(times)	1.01	1.40	2.27
Interest coverage(times)	-0.06	-0.36	-0.24

For the period ended / as at March 31,	2013 (12m, A)	2014 (12m, A)	2015 (12m, A)
Term debt/Gross cash accruals(years)	-8.55	-4.71	-3.77
Liquidity			
Current ratio(times)	2.13	1.33	1.18
Quick ratio(times)	1.09	0.61	0.55
Turnover			
Average collection period (days)	80	81	83
Average creditors (days)	57	80	110
Average inventory (days)	287	269	282
Operating cycle (days)	310	270	255

A-Audited

Details of Rated Facilities

1. Long-term facilities

1. A. Rupee Term Loans

		(Rs. crore)
Sr. No.	Lender	Rated Amount
1.	Yes Bank	254.68
2.	EXIM Bank of India	31.88*

*USD 5 million

1. B. Fund-based limits

		(Rs. crore)
Sr. No.	Name of Lender	Cash Credit
1.	CITI Bank	22.00
2.	ICICI Bank	7.00
3.	State Bank of Hyderabad	54.00
4.	Yes Bank	20.00#
5.	Proposed	30.00
	Total	133.00

#Re-classification of LC limit to the extent of Rs.10.00 crore as CC

Total long term facilities (1.A+1.B) - Rs.419.56 crore

2. Short-term instruments*(Rs. crore)*

Sr. No.	Name of Lender	LC*
1.	ICICI Bank	13.92
2.	State Bank of Hyderabad	27.00
3.	Yes Bank	10.00#
	Total	50.92

*LC=Letter of credit #Re-classification of LC limit to the extent of Rs.10.00 crore as CC

Total short term facilities - Rs.50.92 crore

Total facilities – Rs. 470.48 crore

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Annexure - II

Brief Rationale

CARE reaffirms the ratings assigned to the Bank Facilities of Everest Kanto Cylinder Ltd.

Ratings

Facilities	Amount (Rs. crore)	Ratings ²	Remarks
Long-term Fund-based Bank Facilities (Yes Bank Term Loan)	254.68	CARE D [Single D]	Reaffirmed
Long-term Fund-based Bank Facilities (EXIM Bank Term Loan)	31.88	CARE C [Single C]	Revised from CARE C (Single C) to CARE D (Single D) and then revised to CARE C (Single C)
Long-term Fund-based Bank Facilities	133.00	CARE C [Single C]	Reaffirmed
Short-term Non-fund-based Bank Facilities	50.92	CARE A4 [A Four]	Reaffirmed
Total Facilities	470.48 (Rupees Four Hundred Seventy crore and Forty Eight lakh only)		

Rating Rationale

The ratings assigned to the bank facilities of Everest Kanto Cylinder Ltd. (EKCL) takes into account stretched liquidity position of the company weakening its debt servicing ability and heightened business risk with waning demand leading to drop in operating income and increasing losses. However, the delays in interest were recognized in the loan availed from EXIM Bank which has been regularized since May 2015 and there have been no instances of delay. The ratings are further constrained by eroding net worth base with continuous losses, stretched operating cycle and foreign currency risk.

The rating continues to take into account the wide experience of the promoters in the same line of business and its wide range of product portfolio.

Going forward, revival in demand for EKCL's products resulting in improvement in its operational performance may weigh positively on the credit profile of the company. At the same time, EKCL's ability to reduce its high cost debt burden continues to be the key rating sensitivity.

Background

Incorporated in 1978, EKCL has three facilities to manufacture cylinders located at Tarapur in Maharashtra and Gandhidham & Kandla in Gujarat. Apart from its domestic operations, EKCL has developed presence in the

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international high pressure seamless cylinders market through various subsidiaries (including step-down), with manufacturing facilities in Dubai, China & USA and marketing offices in Thailand & Germany.

EKCL's products find application in various industries such as automobile OEMs, CNG cylinder retrofitters, gas distribution companies, healthcare, defence etc.

During FY15 (refers to the period April 01 to March 31), EKCL posted total operating income of Rs.177.16 crore (vis-a-vis Rs.199.09 crore in FY14) and loss of Rs.99.13 crore (vis-a-vis Rs.88.33 crore in FY14).

Analyst Contact

Name: Mr Divyesh Shah

Tel: 022 – 67543456

Email: divyesh.shah@careratings.com

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.

Disclaimer

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CARE/HO/RR/2015-16/1531

Mr Kishore Thakker

CFO

Everest Kanto Cylinder Ltd.

204, Raheja Centre,

Free Press Journal Marg,

214, Nariman Point,

Mumbai - 400 021

October 16, 2015

Dear Sir,

Credit rating of Bank Facilities for Rs.470.48 crore

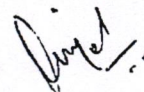
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Thanking you,

Yours faithfully,



[Divyesh Shah]

AGM

divyesh.shah@careratings.com

Encl: As above

Annexure - I
Rating Rationale
Everest Kanto Cylinder Ltd.

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
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Long-term Fund-based Bank Facilities	103.00	CARE C [Single C]	Reaffirmed
Proposed Long-term fund based bank facilities	30.00	CARE C [Single C]	Withdrawn
Short-term Non-fund-based Bank Facilities	50.92	CARE A4 [A Four]	Reaffirmed
Total Facilities	470.48 (Rupees Four Hundred Seventy crore and Forty Eight lakh only)		

Rating Rationale

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Background

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EKCL's products find application in various industries such as automobile OEMs, CNG cylinder retrofitters, gas distribution companies, healthcare, defence etc.

Credit Risk Assessment

Deterioration in the overall financial profile leading to continuous delays

On account of industrial slowdown and slump in its product demand, the overall financial profile of the company has deteriorated with de-growth in the total income of the company. Furthermore, with mounting operational expenses; the company continues to post losses in FY15. Thus continuous losses have resulted in stressed liquidity position thereby leading to delays in servicing of debt.

Furthermore the overall capital structure of the company has been deteriorating over the years due to the mounting debt levels and decline in net worth on account of losses.

Financial Performance

	(Rs. Cr)		
<i>For the period ended / as at March 31,</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>
	<i>(12m, A)</i>	<i>(12m, A)</i>	<i>(12m, A)</i>
<u>Working Results</u>			
Net Sales	239.58	199.09	177.16
Total Operating income	256.35	214.74	190.61
PBILDT	-2.11	-18.01	-12.37
Interest	34.48	49.51	50.84
Depreciation	22.54	22.42	17.15
PBT	-58.71	-88.33	-99.13
PAT (after deferred tax)	-47.50	-88.33	-99.13
Gross Cash Accruals	-36.17	-65.91	-81.98
<u>Financial Position</u>			
Equity Capital	21.43	21.43	21.43
Networth	370.64	282.80	182.94
Total capital employed	748.11	680.52	598.28
<u>Key Ratios</u>			
<i>Growth</i>			
Growth in Total income (%)	-20.17	-16.23	-11.23
Growth in PAT (after D. Tax) (%)	288.79	85.97	12.23
<i>Profitability</i>			
PBILDT/Total Op. income (%)	-0.82	-8.39	-6.49
PAT (after deferred tax)/ Total income (%)	-18.53	-41.13	-52.01
ROCE (%)	-3.01	-5.56	-7.61

For the period ended / as at March 31,	2013 (12m, A)	2014 (12m, A)	2015 (12m, A)
Average cost of borrowing (%)	9.88	12.81	12.53
<i>Solvency</i>			
Long Term Debt Equity ratio (times)	0.83	1.10	1.69
Overall gearing ratio(times)	1.01	1.40	2.27
Interest coverage(times)	-0.06	-0.36	-0.24
Term debt/Gross cash accruals(years)	-8.55	-4.71	-3.77
<i>Liquidity</i>			
Current ratio(times)	2.13	1.33	1.18
Quick ratio(times)	1.09	0.61	0.55
<i>Turnover</i>			
Average collection period (days)	80	81	83
Average creditors (days)	57	80	110
Average inventory (days)	287	269	282
Operating cycle (days)	310	270	255

A-Audited

Details of Rated Facilities

1. Long-term facilities

1. A. Rupee Term Loans

(Rs. crore)

Sr. No.	Lender	Rated Amount
1.	Yes Bank	254.68
2.	EXIM Bank of India	31.88*

*USD 5 million

1. B. Fund-based limits

(Rs. crore)

Sr. No.	Name of Lender	Cash Credit
1.	CITI Bank	22.00
2.	ICICI Bank	7.00
3.	State Bank of Hyderabad	54.00
4.	Yes Bank	20.00#
5.	Proposed	30.00
	Total	133.00

#Re-classification of LC limit to the extent of Rs.10.00 crore as CC

Total long term facilities (1.A+1.B) - Rs.419.56 crore

Annexure - II

Brief Rationale

CARE reaffirms the ratings assigned to the Bank Facilities of Everest Kanto Cylinder Ltd.

Ratings

Facilities	Amount (Rs. crore)	Ratings ²	Remarks
Long-term Fund-based Bank Facilities (Yes Bank Term Loan)	254.68	CARE D [Single D]	Reaffirmed
Long-term Fund-based Bank Facilities (EXIM Bank Term Loan)	31.88	CARE C [Single C]	Revised from CARE C (Single C) to CARE D (Single D) and then revised to CARE C (Single C)
Long-term Fund-based Bank Facilities	103.00	CARE C [Single C]	Reaffirmed
Proposed Long-term fund based bank facilities	30.00	CARE C [Single C]	Withdrawn
Short-term Non-fund-based Bank Facilities	50.92	CARE A4 [A Four]	Reaffirmed
Total Facilities	470.48 (Rupees Four Hundred Seventy crore and Forty Eight lakh only)		

Rating Rationale

The ratings assigned to the bank facilities of Everest Kanto Cylinder Ltd. (EKCL) takes into account stretched liquidity position of the company weakening its debt servicing ability and heightened business risk with waning demand leading to drop in operating income and increasing losses. However, the delays in interest were recognized in the loan availed from EXIM Bank which has been regularized since May 2015 and there have been no instances of delay. The ratings are further constrained by eroding net worth base with continuous losses, stretched operating cycle and foreign currency risk.

The rating continues to take into account the wide experience of the promoters in the same line of business and its wide range of product portfolio.

Going forward, revival in demand for EKCL's products resulting in improvement in its operational performance may weigh positively on the credit profile of the company. At the same time, EKCL's ability to reduce its high cost debt burden continues to be the key rating sensitivity.

Background

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

2. Short-term instruments*(Rs. crore)*

Sr. No.	Name of Lender	LC*
1.	ICICI Bank	13.92
2.	State Bank of Hyderabad	27.00
3.	Yes Bank	10.00#
	Total	50.92

*LC=Letter of credit #Re-classification of LC limit to the extent of Rs.10.00 crore as CC

Total short term facilities - Rs.50.92 crore

Total facilities – Rs. 470.48 crore

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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.

Incorporated in 1978, EKCL has three facilities to manufacture cylinders located at Tarapur in Maharashtra and Gandhidham & Kandla in Gujarat. Apart from its domestic operations, EKCL has developed presence in the international high pressure seamless cylinders market through various subsidiaries (including step-down), with manufacturing facilities in Dubai, China & USA and marketing offices in Thailand & Germany.

EKCL's products find application in various industries such as automobile OEMs, CNG cylinder retrofitters, gas distribution companies, healthcare, defence etc.

During FY15 (refers to the period April 01 to March 31), EKCL posted total operating income of Rs.177.16 crore (vis-a-vis Rs.199.09 crore in FY14) and loss of Rs.99.13 crore (vis-a-vis Rs.88.33 crore in FY14).

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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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