



SMERA RATINGS LIMITED

Crest Composites & Plastics Private Limited (Crest)

**Rating
Rationale**

September 05, 2014

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	6.88	SMERA BB+/Stable (Assigned)
Cash Credit*	7.00	SMERA BB+/Stable (Assigned)
Letter Of Credit**	10.00	SMERA A4+ (Assigned)
Forward Contract	0.20	SMERA A4+ (Assigned)

* Includes Bills Purchase/Discount Limit as sublimit to the extent of Rs.2.00 crore

**Includes Bank Guarantee as sublimit to the extent of Rs.0.50 crore

SMERA has assigned a long-term rating of '**SMERA BB+**' (read as **SMERA double B plus**) and a short-term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the abovementioned bank facilities of Crest Composites & Plastics Private Limited (Crest). The outlook is '**Stable**'. The ratings are supported by the company's established track record of operations, experienced management and strong in-house research and development team. The ratings draw comfort from the company's technical collaboration with foreign partner. The ratings are also supported by the company's healthy interest coverage ratio, efficient working capital management and diversified clientele. However, the ratings are mainly constrained by the company's low net profit margin and moderate leverage (debt-equity ratio). The ratings are also constrained by the company's low utilisation of installed production capacity.

Crest, incorporate in 1989, is a Gujarat-based company engaged in manufacturing of a variety of resins, including unsaturated resins, vinyl ester resins, coil coating resins and acrylics resins. Crest benefits from its experienced management. Mr. Ranjit Sen, promoter of Crest, has around 25 years of experience in company's line of business. Crest has a strong in-house research and development department comprising around ten members engaged in developing customised resins. The company also has a technical joint venture for development of acrylic and coil coating resins in collaboration with N. Bensasedo SpA, which is an Italian company engaged in manufacturing of resins since 1959. Crest's healthy debt servicing ability is reflected in interest coverage ratio of 2.25 times for FY2013-14 (refers to financial year, April 01 to March 31). The company's efficient working capital management is indicated by low average utilisation (~51 per cent) of working capital limit during the six months ended July 2014. Crest caters to several reputed customers across various industries such as chemicals, automobile, electrical and paints.

Crest's profitability has declined and remained low over the years mainly on account of losses incurred at the new manufacturing unit in Dharwad, Karnataka. The company's net profit margin declined from 0.86 per cent in FY2012-13 to 0.53 per cent in FY2013-14. Crest's leverage (debt-equity ratio) is moderate at 1.54 times as on March 31, 2014. The company's utilisation of installed production capacity (at Kheda unit) has declined from ~78 per cent in FY2012-13 to ~60 per cent in FY2013-14; moreover, the capacity utilisation at the Dharwad unit is low at ~27 per cent.

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Outlook: Stable

SMERA believes Crest will maintain a stable business risk profile over the medium term. The outlook may be revised to 'Positive' in case the company registers sustained growth in revenues and profitability by achieving optimum capacity utilisation and healthy financial risk profile. The outlook may be revised to 'Negative' in case of decline in the company's profitability and returns on capital, or in case of deterioration in the company's financial risk profile.

About the company

Crest, incorporated in 1989, is a Gujarat-based company engaged in manufacturing of a variety of resins, including unsaturated resins, vinyl ester resins, coil coating resins and acrylics. The company has two manufacturing units, one in Kheda (Gujarat), with total installed capacity of 9,000 metric tonnes per annum and another in Dharwad (Karnataka), with total installed capacity of 7,200 metric tonnes per annum.

For FY2013-14, Crest reported profit after tax (PAT) of Rs.0.56 crore on operating income of Rs.104.65 crore, as compared with PAT of Rs.0.85 crore on operating income of Rs.99.20 crore in FY2012-13. Crest's net worth stood at Rs.11.07 crore as on March 31, 2014, as compared with Rs.9.66 crore a year earlier. Furthermore, Crest reported profit before tax of Rs.1.63 crore on operating income of Rs.36.10 crore during April 2014 to June 2014.

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