



SMERA RATINGS LIMITED

Crest Composites and Plastics Private Limited (CCPPL)

**Rating
Rationale**
August 06, 2015

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	8.38 (Enhanced from Rs.6.88 crore)	SMERA BBB-/Stable (Upgraded from SMERA BB+/Stable)
Cash Credit	9.00* (Enhanced from Rs.7.00 crore)	SMERA BBB-/Stable (Upgraded from SMERA BB+/Stable)
Letter of Credit	10.00^	SMERA A3 (Upgraded from SMERA A4+)
Forward Contract	0.20	SMERA A3 (Upgraded from SMERA A4+)

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

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

SMERA has upgraded the rating of the above Rs.17.38 crore long-term (fund based) bank facilities to '**SMERA BBB-**' (read as **SMERA triple B minus**) from '**SMERA BB+**' (read as **SMERA double B plus**) and the Rs.10.20 crore short term (non-fund based) bank facilities to '**SMERA A3**' (read as **SMERA A three**) from '**SMERA A4+**' (read as **SMERA A four plus**) of Crest Composites and Plastics Private Limited (CCPPL). The outlook is '**Stable**'.

The upgrade reflects significant improvement in the profit margins and RoCE (Returned on Capital Employed) of the company. The ratings also note that the company has registered around 60 per cent utilisation of its Dharwad unit in FY2014-15 which earlier was underutilised leading to losses. The ratings continue to draw comfort from the company's established track record of operations, experienced management and a strong in-house research and development team. Further, the company's technical collaboration with Italy based N. Benasedo (SPA), and the healthy interest coverage ratio apart from efficient working capital management and diversified clientele are other factors that support the ratings. However, the ratings are constrained by the risk associated with delays in execution of its capex plan.

Update

CCPPL reported operating margin of 6.91 per cent in FY2014-15 (refers to financial year, April 01 to March 31), as compared with 4.77 per cent in the previous year. Also, the company's net profit margins improved from 0.53 per cent in FY2013-14 to 2.54 percent in FY2014-15. The RoCE of the company improved from 10.42 per cent in FY2013-14 to 21.24 per cent in FY2014-15. CCPPL's profitability has remained low over the years mainly on account of losses incurred at the manufacturing unit in Dharwad, Karnataka. However, the company has utilised around 60 percent of the capacity in FY2014-15 which helped improve its profitability margins significantly.

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The company is planning to expand the capacity of its Kheda (Gujarat) unit from 9000 MT per annum to ~19200 MT per annum at a total capex cost of Rs.5.00 crore to be funded (75 per cent) through bank borrowings and the balance (25 percent) through internal accruals.

The Kheda unit of the company manufactures unsaturated polyester resins, vinyl ester and acrylics resins that contribute around 70 percent to the total operating income.

Outlook: Stable

SMERA believes CCPPL will maintain a stable business risk profile over the medium term. The outlook may be revised to 'Positive' in case the company registers more than anticipated growth in revenues, achieving sustainable profitability and maintaining the financial risk profile. Conversely, 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

CCPPL, incorporated in 1989 is a Gujarat-based company engaged in the manufacture of a variety of resins including unsaturated polyester resins, vinyl ester resins, coil coating resins and acrylics. The company has two manufacturing units - one at Kheda, Gujarat and the other at Dharwad, Karnataka with an installed capacity of 9,000 metric tonnes and 4,800 metric tonnes per annum respectively.

For FY2014-15, CCPPL reported profit after tax (PAT) of Rs.3.22 crore on operating income of Rs.126.40 crore, as compared with PAT of Rs.0.56 crore on operating income of Rs.104.65 crore in FY2013-14. CCPPL's net worth stood at Rs.14.59 crore as on March 31, 2015, as compared with Rs.11.07 crore a year earlier. Furthermore, CCPPL reported profit before tax of Rs.2.31 crore on operating income of Rs.33.86 crore during April 2015 to June 2015.

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