February 20, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	**11.00**	**SMERA B-/Stable (Assigned)**
Letter of Credit	**10.00**	**SMERA A4 (Assigned)**
Forward Contract	**0.43**	**SMERA A4 (Assigned)**

SMERA has assigned a long-term rating of **'SMERA B-' (read as SMERA single B minus)** and a short-term rating of **'SMERA A4' (read as SMERA A four)** to the abovementioned bank facilities of Formulated Polymers Limited (FPL). The outlook is **'Stable'**. The ratings are mainly constrained by the company's low profitability and weak coverage indicators. The ratings are also constrained by the muted revenue growth registered by the company. However, the ratings derive comfort from the company's established operations and experienced management. The ratings are also supported by the company's moderate leverage position (debt-equity ratio).

FPL, incorporated in 1991, is a Chennai-based company engaged in manufacturing of engineering plastic components. FPL's net profit margin has declined from 2.65 per cent in FY2010–11 (refers to financial year, April 01 to March 31) to 1.26 per cent in FY2012–13. The company incurred net loss of Rs.0.33 crore in FY2013–14 on account of high freight cost and financials expenses. FPL's weak coverage indicators are reflected in net cash accruals to total debt (NCD/TD) ratio of 0.05 times in FY2013–14. The company's debt service coverage ratio (DCSR) declined to 0.77 times in FY2013–14 from 2.60 times in FY2010–11. FPL has registered muted revenue growth of 6.00 per cent (compound annual growth rate) over the past four financial years.

FPL benefits from its experienced management. Mr. Venkateswaran Sekar and Mr. Narayanasamy Mohan, directors of FPL, have around two decades of experience in the company's line of business. FPL's debt-equity ratio is moderate at 2.74 times as on March 31, 2014. The company's total debt of Rs.22.61 crore as on March 31, 2014 includes short-term working capital loan of Rs.14.80 crore.

Outlook: Stable

SMERA believes FPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the company achieves sustained improvement in profitability and higher-than-expected growth in revenues while maintaining comfortable capital structure. The outlook may be revised to 'Negative' in case of decline in the company's profitability, or in case of deterioration in the company's financial risk profile.

About the company

FPL, incorporated in 1991, is a Chennai-based company engaged in manufacturing of engineering plastic components. FPL has recently entered into an agreement with Eurostar Engineering Plastics (a France-based entity) for manufacturing of flame retardant polyamide resins.

For FY2013–14, FPL incurred net loss of Rs.0.33 crore on operating income of Rs.46.56 crore, as compared with profit after tax of Rs.0.68 crore on operating income of Rs.54.38 crore in the previous year. The company's net worth stood at Rs.8.24 crore as on March 31, 2014, as compared with Rs.7.81 crore a year earlier.

Contact List:

Media / Business Development	Analytical Contacts	Rating Desk
Sanjay Kher Vice President – Sales, Corporate Rating Tel: +91-22-6714 1193 Cell: +91 9819136541 Email: sanjay.kher@smera.in Web: www.smera.in	Ashutosh Satsangi Vice President – Operations Tel: +91-22-6714 1107 Email: ashutosh.satsangi@smera.in	Tel: +91-22-6714 1170 Email: ratingdesk@smera.in