

March 04, 2015

| Facilities | Amount (Rs. Crore) | Ratings |
|------------------|-----------------------|------------------------------|
| Term Loans | 15.35 | SMERA BBB-/Stable (Assigned) |
| Cash Credit | 5.00 | SMERA BBB-/Stable (Assigned) |
| Letter of Credit | 0.50 | SMERA A3 (Assigned) |

SMERA has assigned ratings of '**SMERA BBB-**' (read as **SMERA triple B minus**) and '**SMERA A3**' (read as **SMERA A three**) to the Rs.20.85 crore bank facilities of Nayasa Superplast (NS). The outlook is '**Stable**'. NS is a part of the Nayasa Group. For arriving at the ratings, SMERA has combined the business and financial risk profile of NS, Nayasa Homeware, Nayasa World, Nayasa Polyplast, Nayasa Plastoware and Nayasa Multiplast. The consolidation is in view of strong business and financial linkages between the entities. Moreover, the entities are managed by the same promoter group.

The ratings derive comfort from the group's strong brand image and widespread distribution network. The ratings also draw comfort from the group's healthy financial risk profile and efficient working capital management. However, the ratings are constrained by the decline in the group's profit margins amidst intense competition in the houseware plastic industry. The ratings are also constrained by the susceptibility of the group's profit margins to volatility in raw material prices as reflected in past. The ratings note that the group's financial profile is susceptible to withdrawal of capital.

NS, established in 2011, is a Mumbai-based partnership firm. NS is a part of the Nayasa Group, which is engaged in manufacturing of plastic houseware and thermoware products sold under the brand name of 'NAYASA'. Nayasa Group benefits from its widespread distribution network which comprises 128 distributors across India. The group's healthy financial risk profile is marked by comfortable debt-to-capital ratio of 0.79 times as on March 31, 2014 and healthy interest coverage ratio of 4.41 times in FY2013-14. Nayasa Group's efficient working capital management is reflected in comfortable working capital cycle of 57 days in FY2013-14.

Nayasa Group's operating profit margin declined to 7.02 per cent in FY2013-14 from 15.50 per cent in FY2012-13 on account of increase in raw material cost. Despite decline in margin, financial risk profile of the group remained healthy due to comfortable debt to capital. The group faces intense competition from several players in the plastic industry. Nayasa Group's profit margins are exposed to volatility in raw material prices. The group's financial profile is susceptible to withdrawal of capital.

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Outlook: Stable

SMERA believes Nayasa Group will maintain a stable business risk profile over the medium term. The group will continue to benefit from its established operations and strong distribution network. The outlook may be revised to 'Positive' in case the group reports significant growth in revenues while achieving improvement in profitability, working capital management and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the group's financial risk profile and working capital management.

About the group

Nayasa Group, established in 1990, is a Mumbai-based group engaged in manufacturing of plastic houseware and thermoware products. Nayasa Group comprises six entities viz. Nayasa Superplast, Nayasa Homeware, Nayasa World, Nayasa Polyplast, Nayasa Plastoware and Nayasa Multiplast. The group has six manufacturing units, including one in Himachal Pradesh and five in Daman. Nayasa Group has installed production capacity of ~24,000 metric tonnes per annum (MTPA). The group has 128 distributors across India. Nayasa Group derives ~90 per cent of its revenues from the domestic market. The group's export markets include UAE, Muscat, UK and Germany.

For FY2013-14, Nayasa Group reported profit after tax (PAT) of Rs.3.56 crore on operating income of Rs.161.77 crore, as compared with PAT of Rs.9.30 crore on operating income of Rs.137.55 crore in FY2012-13. The group's net worth stood at Rs.37.98 crore as on March 31, 2014, as compared with Rs.32.15 crore a year earlier. Nayasa Group reported profit before tax (PBT) of Rs.7.05 crore (provisional) on operating income of Rs.135.53 crore (provisional) for the period April 2014 to December 2014.

About the firm

NS is a Mumbai-based partnership firm promoted by Mr. Sachin Sachdev and Mrs. Manasi Sachdev. NS is engaged in manufacturing of plastic houseware and thermoware products such as insulated water bottles, jugs, tiffin boxes and containers. NS has a manufacturing unit in Kachigam (Nani Daman), with installed production capacity of 7,500 MTPA.

For FY2013-14, NS reported profit after tax (PAT) of Rs.0.02 crore on operating income of Rs.10.22 crore. The firm's net worth stood at Rs.8.24 crore as on March 31, 2014. NS reported profit before tax (PBT) of Rs.0.62 crore (provisional) on operating income of Rs.31.02 crore (provisional) for the period April 2014 to December 2014.

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