

July 08, 2015

Facilities	Amount (Rs. Crore)	Ratings
Term Loans	12.95	SMERA BB/Stable (Assigned)
Cash Credit*	7.50	SMERA BB/Stable (Assigned)
Letter of Credit	1.00	SMERA A4+ (Assigned)

**Interchangeable from cash credit to letter of credit to the extent of Rs.2.00 crore but not vice versa.*

SMERA has assigned a long-term rating of '**SMERA BB**' (read as **SMERA double B**) to the Rs.20.45 crore and short-term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.1.00 crore bank facilities of Secure Industries Private Limited (SIPL). The outlook is '**Stable**'. SMERA has consolidated the business and financial risk profiles of SIPL and Marke Precitech Private Limited (MPPL) referred to as the Secure Group (SG). The consolidation is in view of the common ownership and operational linkages within the group.

The ratings are supported by the group's experienced management, integrated business profile, healthy revenue growth and profitability. The ratings are further supported by the group's moderate financial risk profile and reputed customer base. However, the ratings are constrained by the company's short track record of operations and group's stretched liquidity position. The ratings are also constrained by the susceptibility of the group's profit margins to volatility in raw material prices and exposure to intense competition in the closure business.

The Secure Group is promoted by Mr. Sanjay K. Singh and Mr. Arya Mittara. Both collectively have more than a decades experience in the closure business. The group's business profile is integrated considering the commonality of activities such as designing and manufacturing of closure and closure moulds.

The group's revenues grew at a compounded annual growth rate (CAGR) of 173 per cent from FY2011-12 to FY2014-15. The group registered operating income of Rs.46.07 crore in FY2014-15 compared to Rs.22.65 crore in the previous year. The operating margins of the group stand at 26.36 per cent in FY2014-15 compared to 22.79 per cent in FY2013-14. The moderate financial risk profile is reflected in the moderate gearing of 1.96 times and healthy interest coverage of 4.85 times in FY2014-15. The group reported healthy net cash accruals (NCA) of Rs.7.88 crore in FY2014-15 as compared to Rs.3.03 crore in FY2013-14. The group's clientele includes leading players such as Pepsi India Holding Private Limited and Kandhari Beverages Private Limited (Coca-Cola Company) that contributed around 40-45 per cent to the total revenue of the group in FY2014-15.

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The company began commercial operations in FY2008-09 with bottling capping and supply of consumable parts such as S.S. Capping Chuck, S.S. Rest Plate among others used in bottling and capping machines, it was only from 2013 that SIPL entered the closures manufacturing segment. The segment now constitutes a major part of the business. Besides, SG's stretched cash flows have led to a tight liquidity condition resulting in full utilization of cash credit limits.

Also, the main raw material for the company is polypropylene (PP) and being a crude oil derivative, the group profit margins are exposed to volatility in its prices. The group also faces intense competition from other organised and unorganised players in the closure industry.

Outlook: Stable

SMERA believes that the group will continue to benefit over the medium term from its promoters' extensive experience in the closure business. The outlook may be revised to 'Positive' in case of significant and sustained increase in the group's revenues and profitability margins, while improving its capital structure. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in the group's revenues, profitability margins, elongation in working capital cycle or if large debt funded capex is undertaken, weakening the financial risk profile or capital structure.

About the Group

The SG, comprising two entities viz. Secure Industries Private Limited and Marke Precitech Private Limited, is engaged in the closure business. The group designs and manufactures closures and closure moulds at its factory at Medak, Telangana.

For FY2014-15, the group reported profit after tax (PAT) of Rs.4.03 crore on net operating income of Rs.46.07 crore, as compared with PAT of Rs.0.15 crore on operating income of Rs.22.72 crore in the previous financial year. The group's net worth stood at Rs.9.89 crore as on March 31, 2015, as compared with Rs.4.17 crore a year earlier.

About the Company

SIPL, established as Plenco Polymers Private Limited on November 16, 1999, remained dormant for a decade and subsequently the company's name was changed in 2011. Closures are used for PET bottles, fruit juices, bottled water, dairy, liquor and also in the pharmaceutical industry. The company's factory is located at Medak, Telangana.

For FY2014-15, SIPL reported profit after tax (PAT) of Rs.3.39 crore on net operating income of Rs.44.22 crore, as compared with net loss of Rs.0.01 crore on operating income of Rs.20.90 crore in the previous financial year. The company's net worth stood at Rs.8.86 crore as on March 31, 2015, as compared with Rs.3.78 crore a year earlier.

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SMERA RATINGS LIMITED

Secure Industries Private Limited (SIPL)

*Rating
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