

April 05, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	25.00	SMERA BB+/Stable (Assigned)
Term Loan	22.06	SMERA BB+/Stable (Assigned)
Working Capital Demand Loan	6.00	SMERA A4+ (Assigned)
Letter of Credit	15.00	SMERA A4+ (Assigned)

SMERA has assigned rating of '**SMERA BB+**' (read as **SMERA double B plus**) to the Rs.47.06 crore long term bank facilities and '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.21.00 crore short term bank facilities of Samruddhi Industries Limited (SIL). The outlook is '**Stable**'. The ratings are supported by the company's long operational track record, experienced management and improvement in scale of operations. The ratings also draw comfort from the established market position and wide product base. However, the ratings are constrained by the working capital intensive operations, moderate financial risk profile marked by relatively high gearing and moderate coverage indicators. The ratings are also constrained by the susceptibility of profitability to volatility in raw material prices in a highly fragmented and competitive plastic industry.

Rating Sensitivity Factors

- Scaling up operations and profitability
- Efficient working capital management
- Deterioration in the capital structure and coverage indicators

Outlook: Stable

SMERA believes SIL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its strong brand, established track record and experienced management. The outlook may be revised to 'Positive' if the company registers sustained growth in scale of operations while maintaining profit margins and achieving improvement in the financial risk profile. The outlook may be revised to 'Negative' in case the company fails to achieve the projected scalability amidst intensifying competition in its area of operations. Additionally, any deterioration in the financial risk profile on account of higher-than-expected increase in debt-funded capital expenditure or working capital requirements may also entail a 'Negative' outlook.

SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.

About the Company

SIL, incorporated in 1992, is a Maharashtra-based company promoted by Mr. Narayan Malu and his sons, Mr. Ramakant Malu, Mr. Omprakash Malu and Mr. Pramod Malu. The company manufactures plastic products.

For 2014-15, SIL reported net profit after tax (PAT) of Rs.4.99 crore on operating income of Rs.123.69 crore as against PAT of Rs.3.14 crore on operating income of Rs.110.13 crore. The company's tangible net worth stood at Rs.37.03 crore as against Rs.32.03 crore in the previous year.

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