

April 05, 2016

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

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.

## 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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