

Press Release

23 September, 2017

Sun Acrylics Private Limited (SAPL)

Rating Reaffirmed



Total Bank Facilities Rated *	Rs. 5.50 Cr
Long Term Rating	SMERA B/Stable (Reaffirmed)
Short Term Rating	SMERA A4 (Reaffirmed)

Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA B**' (read as **SMERA B**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 5.50 crore bank facility of Sun Acrylics Private Limited (SAPL). The outlook is '**Stable**'.

SAPL, incorporated in 1990, is a Mumbai-based company that manufactures and trades in Monomer, polymer granules and other plastic products. The company is led by Mr. Naresh Mehta, Mr. Jay Naresh Mehta and Mr. Jagdish Ojha.

Key Rating Drivers

Strengths

Experienced management

The company was promoted by Mr. Naresh J. Mehta who has around four decades of experience in the plastic industry. He is well supported by his son, Mr. Jay N. Mehta who has around a decade of experience in the same line of business. This has enabled the company to forge long term relations with customers and suppliers.

Weaknesses

Small scale of operations

The scale of operations has remained small despite operations commencing from 1990. The revenue stood at Rs.10.91 crore in FY2015-16, Rs. 8.58 crore in FY2015 and Rs. 17.85 crore in FY2017 (Provisional).

Weak financial risk profile

SAPL's financial risk profile is weak marked by net worth of Rs.5.22 crore as on 31 March, 2017 (Provisional) as compared to Rs.2.02 crore as on 31 March, 2016. The gearing (debt-equity) stood at 0.79 times as on 31 March, 2017 (Provisional) as against 1.98 times as on 31 March, 2016. The total debt as on 31 March, 2017 of Rs.4.12 crore comprises long term loan of Rs.0.85 crore, unsecured loans to the tune of Rs.0.55 crore and working capital facility of Rs.2.56 crore. The ICR stood moderate at 1.18 times for FY2017 (Provisional) compared to 1.32 times for FY2016. SMERA believes that the financial risk profile of SAPL will remain weak marked by low net cash accruals and low profitability.

Working capital intensive operations

SAPL's operations are working capital intensive marked by high Gross Current Asset days (GCA) of 295 for FY2017 (Provisional) compared to 265 for FY2016. This was mainly on account of high debtors days of 129 for FY2017 (Provisional) as against 69 for FY2016. The cash credit limit has been fully utilised for the last three months ending May 2017.

Volatility in raw material prices and finished goods

The margins of the company are susceptible to volatility in the prices of plastic. Significant changes in the prices of raw material or finished goods would have an impact on the margins of the company.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of SAPL to arrive at the rating.

Outlook: Stable

SMERA believes that SAPL will maintain a Stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case of more than expected growth in revenue while achieving improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of high working capital requirements increasing pressure on margins.

About the Rated Entity - Key Financials

For FY2015-16, SAPL reported profit after tax (PAT) of Rs.0.07 crore on operating income of Rs.10.91 crore, compared with PAT of Rs.0.05 crore on operating income of Rs.8.58 crore in FY2014-15. The net worth stood at Rs.2.02 crore as on 31 March, 2016 compared to Rs.1.91 crore as on 31 March, 2015. Further for FY2016-17 (Provisional), SAPL reported PAT of Rs. 0.18 on operating income of Rs. 17.85 crore.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument/Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
18-May, 2016	Cash Credit	Long Term	2.00	SMERA B / Stable (Assigned)
	Term Loan	Long Term	1.00	SMERA B / Stable (Assigned)
	Letter of Credit	Short Term	2.50	SMERA A4 (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA B / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA B / Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA A4 (Reaffirmed)

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head –Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in Kashish Shah Rating Analyst Tel: 022-67141111 Email: kashish.shah@smera.in	Varsha Bist, Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details please visit www.smera.in.

Disclaimer: *A 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.*