

## Press Release

Sun Acrylics Private Limited

(SAPL) 21 February, 2018

Rating Reaffirmed and Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 8.50 Cr. (Enhanced from Rs. 5.50 Cr.)
<b>Long Term Rating</b>	SMERA B /Stable (Reaffirmed & Assigned)
<b>Short Term Rating</b>	SMERA A4 (Reaffirmed & Assigned)

*\*Refer annexure for details*

SMERA has reaffirmed the long term rating of '**SMERA B**' (read as **SMERA B**) and the short term facility of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 5.50 crore bank facilities of Sun Acrylics Private Limited (SAPL). Further SMERA has assigned the long term rating of '**SMERA B**' (read as **SMERA B**) on the enhanced facility of Rs. 2.25 crores and the short term facility of '**SMERA A4**' (read as **SMERA A four**) on the enhanced facility Rs. 0.75 crore bank facilities. The outlook is '**Stable**'.

SAPL, incorporated in 1990, is a Mumbai-based company. It manufactures and trades in Monomer, polymer granules and other plastic products. The company is promoted 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 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.

##### Moderate Scale of Operations

SAPL has moderate scale of operations with revenue of Rs.17.97 crore in FY17 as against Rs. 10.91 crore in FY16. From April 2017 to December 2017, company achieved Rs. 15.00 crore and expect to achieve revenue of Rs. 21.00 crore in FY2018.

#### Weaknesses

##### Low Profitability

The net profit margins of the company were at 0.70 percent in FY2017 as compared to 0.62 percent for FY2016.

### Working Capital Intensive Operation

SAPL's operations are working capital intensive operations marked by high Gross Current Asset days (GCA) which increased to 293 for FY2017 compared to 265 for FY2016. This was mainly on account of high debtors days stood at 131 for FY2017 compared to 69 for FY2016. The cash credit facility was utilised to the extent of 98 percent for last six months ended December 2017.

### Average Financial Risk Profile

SAPL's net worth stood Rs. 5.17 crore as on 31 March, 2017 as compared to Rs.2.02 crore as on 31 March, 2016 due to additional unsecured loans (Quasi equity) brought in by the promoters. The Gearing ratio improved to 0.81 times as on 31 March, 2017 as compared to 1.98 times as on 31 March 2016. The ICR has reduced to 1.19 times in FY2017 as compared to 1.32 times for FY2016. The DSCR of company stood 0.96 times in FY2017 as compared to 1.14 times in FY2017.

### Volatility in raw material prices and foreign currency risk

The raw material used for manufacturing is susceptible to fluctuation in prices of raw materials as most of them are imported from USA. Any significant changes in raw material prices will have an adverse impact on profitability of the company.

### Analytical approach:

SMERA has considered the standalone business and financial risk profiles to arrive at the rating of Sun Acrylic Private Limited (SAPL).

### Outlook – Stable

SMERA believes SAPL will maintain a Stable profile over medium term on the back of its experienced management. The outlook may be revised to Positive in case the company registers more than expected growth in revenues while achieving improvement in profitability. Conversely the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues and profitability or deterioration in the financial risk profile.

### About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	17.97	10.91	8.58
EBITDA	Rs. Cr.	1.19	0.52	0.36
PAT	Rs. Cr.	0.13	0.07	0.05
EBITDA Margin	(%)	6.60	4.74	4.20
PAT Margin	(%)	0.70	0.62	0.60
ROCE	(%)	16.51	10.64	8.22
Total Debt/Tangible Net Worth	Times	0.81	1.98	1.05
PBDIT/Interest	Times	1.19	1.32	1.49
Total Debt/PBDIT	Times	3.23	7.14	5.84
Gross Current Assets (Days)	Days	293	265	481

### Any other information

Not Applicable

### 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>

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

None

### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
23 Sept, 2017	Cash Credit	Long Term	2.00	SMERA B/ Stable (Reaffirmed)
	Term Loan	Long Term	1.00	SMERA B/ Stable (Reaffirmed)
	Letter of Credit	Short Term	2.50	SMERA A4 (Reaffirmed)
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	2.75 (Enhance to 2.75 from 2.00)	SMERA B /Stable (Reaffirmed and Assigned)
WCDL	Not Applicable	Not Applicable	Not Applicable	1.25	SMERA B/Stable (Assigned)
Term loan	Not Applicable	Not Applicable	Not Applicable	0.90 (reduced from 1.00)	SMERA B/Stable (Reaffirmed)

Letter of Credit	Not Applicable	Not Applicable	Not Applicable	3.25 (Enhance to 3.25 from 2.50)	SMERA A4 (Reaffirmed and Assigned)
Proposed Long Term Facility	Not Applicable	Not Applicable	Not Applicable	0.35	SMERA B/Stable (Assigned)

## Contacts

Analytical	Rating Desk
<p>Suman Chowdhury President - SMERA Bond Ratings Tel: 022-67141107 <a href="mailto:suman.chowdhury@smera.in">suman.chowdhury@smera.in</a></p> <p>Rupesh Patel Analyst - Rating Operations Tel: 022-67141320 <a href="mailto:rupesh.patel@smera.in">rupesh.patel@smera.in</a></p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 <a href="mailto:varsha.bist@smera.in">varsha.bist@smera.in</a></p>

## ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit [www.smera.in](http://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](http://www.smera.in)) for the latest information on any instrument rated by SMERA.