

Surya Jyoti Polymer Private Limited: Assigned

Name of the Instrument	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	6.00	SMERA B+/Stable (Assigned)

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) to the above mentioned bank facility of Surya Jyoti Polymer Private Limited (SPPL). The outlook is '**Stable**'. The rating draws support from the experienced management and long track record of operations. However, the rating is constrained by the small scale of operations and customer concentration risk. The rating is also constrained by the average financial risk profile and working capital intensive operations.

SPPL was incorporated in 1992 by Mr. Sareen Choraria and family to manufacture PET Preforms. However, effective April 1, 2014 the company decided to outsource its manufacturing and focus on trading. Mr. Sanjay Dugar, Director possesses over two decades of experience in the plastic industry.

However, the rating is constrained by the small scale of business. The company registered sales of Rs.28.05 crore in FY2016 (Provisionals) as against Rs.21.98 crore in the previous year and derives ~57 of sales from a single customer.

SPPL's average financial risk profile is marked by low networth of Rs.3.44 crore and gearing of 1.69 times as on 31 March, 2016 (Provisionals). The company's interest coverage ratio (ICR) was at 1.61 times in FY2016 (Provisionals) as against 7.11 times in FY2015. The operations are working capital intensive reflected in the gross current assets (GCA) of 142 days as on March 31, 2016 (Provisionals). The high GCA emanates from high debtor days of 96 for FY2016. Also, the average utilisation of the working capital limit is high at ~96 per cent for cash credit (for six months ended March, 2016).

Rating Sensitivity Factors

- Improvement in scale of operations
- Maintaining operating profit margins
- Efficient working capital management

Outlook-Stable

SMERA believes that SPPL will continue to maintain a stable outlook in the medium term and benefit from the experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' if the scale of operations increases substantially while maintaining operating profitability and coverage indicators. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve scalability amidst intensifying competition in its area of operation or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

Criteria applied to arrive at the rating:

- Trading Entities

About the Company

Incorporated in 1992, SPPL is a Hyderabad-based company promoted by Mr. Sareen Choraria. The company was engaged in the manufacture of PET Preforms, caps, iron sheets and plastic granules. However, effective April 1, 2014, the company decided to outsource its manufacturing activity on job work basis and focus on trading of the abovementioned products.

For FY2015-16 (Provisionals), the company reported profit after tax (PAT) of Rs.0.27 crore on operating income of Rs.28.05 crore, as compared with net profit of Rs.0.39 crore on operating income of Rs.21.98 crore in FY2014-15. The net worth stood at Rs.3.44 crore as on March 31, 2016 as compared with Rs.2.45 crore a year earlier.

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ABOUT SMERA

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