

Sarvottam Polymers Private Limited: Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	3.00	SMERA BB/Stable (Assigned)
Term Loan	5.00	SMERA BB/Stable (Assigned)
Letter of Credit	0.50	SMERA A4+ (Assigned)

SMERA has assigned long-term rating of **'SMERA BB' (read as SMERA double B)** and short-term rating of **'SMERA A4+' (read as SMERA A four plus)** to the above mentioned bank facilities of Sarvottam Polymers Private Limited (SPPL). The outlook is **'Stable'**. The ratings derive support from the long track record of operations, experienced management and comfortable financial risk profile. The ratings also note the reputed clientele of the company. However, the ratings are constrained by the modest scale of operations, customer concentration risk and susceptibility of operating margins to volatility in raw material prices.

SPPL, incorporated in 1996 is engaged in the manufacture of plastic packaging material like plastic bottles and caps. The company is headed by Directors, Mr. Shyamlal Kishanlal Damani and Mr. Anand Damani who possess over two decades of experience in the plastic industry.

The company has a comfortable financial risk profile marked by moderate gearing of 1.19 times as on March 31, 2016 (provisional) as against 1.58 times in the previous year. The interest coverage ratio (ICR) and debt service ratio stood at 4.43 times and 1.91 times (provisional) respectively in FY2016. The company's clientele includes reputed names such as Pidilite India Limited, Colgate Pamolive and Marico Limited.

However, the ratings are constrained by the modest scale of operations with revenue of Rs. ~27.95 (provisional) crore for FY2016 as against Rs.29.21 crore in FY2015. Further, the company is exposed to customer concentration risk since it earns around 100 per cent revenue from around 10 of its customers.

Rating Sensitivity Factors

- Scaling up operations while maintaining profitability
- Susceptibility of operating margins to volatile raw material prices
- Deterioration in the financial risk profile

Outlook-Stable

SMERA believes that the outlook on SPPL's rated facilities will remain stable over the medium term on account of the experienced management and comfortable financial risk profile. The outlook may be revised to 'Positive' if the company registers sustained growth in revenue and profit margins. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in the operating profit margins or deterioration in the capital structure on account of larger than envisaged debt funded capex and working capital borrowings.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

SPPL, set up in 1996 is engaged in the manufacture of plastic packaging material. The company is headed by Mr. Shyamlal Kishanlal Damani and Mr. Anand Damani.

For FY2015-16, the company reported profit after tax (PAT) of Rs.1.52 crore on operating income of Rs.27.95 crore (Provisional), as compared with net profit of Rs.1.08 crore on operating income of Rs.29.21 crore in FY2014-15.

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ABOUT SMERA

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