

Press Release

Sarvottam Polymers Private Limited

14 December, 2017



Rating Upgraded and Reaffirmed

Total Bank Facilities Rated*	8.50 Cr.
Long Term Rating	SMERA BB+/Stable (Upgraded from SMERA BB/Stable)
Short Term Rating	SMERA A4+

*Refer the below annexure for details

SMERA has upgraded the long term rating to '**SMERA BB+** (read as SMERA double B plus)' from '**SMERA BB**' (read as SMERA double B) and reaffirmed the short term rating of '**SMERA A4+**' (read as SMERA A Four plus) on the Rs. 8.50 crore bank facilities of Sarvottam Polymers Private Limited (SPPL). The outlook is '**Stable**'.

The upgrade is in view of the expected improvement in revenue on account of the capital expenditure plan undertaken by the company and reduction of customer concentration risk. SMERA believes that going ahead the company will sustain growth in revenue and profitability margins over the near to medium term.

SPPL was incorporated in 1996 by Mr. Shyamlal Kishanlal Damani and family. The company manufactures plastic products (bottles, jars, plastic pumps, plastic caps among others) at Silvassa and Vasai. The installed capacity stands at 120 tonnes per annum.

Key rating drivers

Strengths

Established track record of operations and experienced management

The Damani family is engaged in the manufacturing of plastic packaging material and related products since the last two decades through SPPL. SPPL was incorporated in 1996 by Mr. Shyamlal Kishanlal Damani and Ms. Anushree Anand Damani. The promoters have developed healthy relations with customers and suppliers and benefit from repeat orders.

Moderate financial risk profile

The financial risk profile is moderate marked by net worth of Rs.7.13 crore as on 31 March, 2017 as against Rs.6.36 crore as on 31 March, 2016. The gearing stood at 1.84 times as on 31 March, 2017 as against 1.20 times as on 31 March, 2016. The total debt of Rs. 13.15 crore as on 31 March, 2017 comprises unsecured loan of Rs. 6.67 crore from Directors, term loan from the bank of Rs. 2.31 crore and working capital limit of Rs. 2.78 crore. The interest coverage ratio stood at 3.08 times in FY2017 as against 5.76 times in the previous year. The DSCR stood at 1.56 times in FY2017 as against 1.92 times in FY2016. The company has

undertaken capex of Rs.7.09 crore to add new products including fridge bottles, pet jars, transparent jars among others. The net cash accruals stood at Rs.1.83 crore in FY2017 as against Rs.2.30 crore in FY2016. The NCA/TD stood at 0.14 times in FY2017 as against 0.30 times in FY2016.

SMERA believes that SPPL will maintain its financial risk profile over the near to medium term on account of its healthy net cash accruals and coverage indicators.

Reputed customers

The company has a reputed customer base and caters to Pidilite Industries Limited, Avenue Supermarts Limited, Hersheys India Private Limited, Marico Limited to name a few. However, the company generates ~64 per cent revenue from Pidilite Industries Limited every year.

SMERA believes that the ability of the company to reduce customer concentration risk and diversify its customer base would be a key rating sensitivity factor.

Weaknesses

Uneven revenue trend

SPPL has registered an uneven revenue trend during the period under study. The revenue stood at Rs.28.08 crore in FY2017 as against Rs.27.68 crore in FY2016 and Rs.29.21 crore in FY2015. The company booked revenue of Rs. 25.00 crore for the period April to October, 2017.

Uneven profitability margins

The profitability margins have remained uneven during the period under study. The EBITDA margins stood at 10.91 percent in FY2017 as against 12.25 percent in FY2016 on account of increase in raw material cost (highly volatile crude prices). The PAT margins also have been uneven at 2.77 percent in FY2017 as against 4.96 percent in FY2016 and 3.71 percent in FY2015. The fall in PAT margins in FY2017 is due to increase in interest and depreciation cost as compared to FY2016.

Working capital intensive operations

SPPL has working capital intensive operations marked by high GCA days of 116 in FY2017 as against 85 in FY2016 mainly due to high inventory holding period of 51 days in FY2017 and 30 days in FY2016. The creditor days are stretched at 73 days in FY2017 as against 56 days in FY2016. The debtor days stood at 41 days in FY2017 as against 40 days in FY2016. The bank limit utilisation stood at 84.78 percent for the last six months ended October 2017.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of SPPL to arrive at the rating.

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>

Outlook – Stable

SMERA believes that the company will maintain a Stable outlook owing to the extensive experience of the management in the polymers industry. The outlook may be revised to 'Positive' in case of improvement in profitability and capital structure while improving scale of operations. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial profile.

About the Rated Entity – Key Financials

In FY2016-17, the company reported profit after tax (PAT) of Rs.0.78 crore on operating income of Rs.28.08 crore as against net profit of Rs.1.37 crore on operating income of Rs.27.68 crore in the previous year. The tangible net worth stood at Rs. 7.13 crore as on 31 March, 2017 as against Rs. 6.36 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable): None

Any other information: None

Rating History for the last three years:

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
25-Aug, 2016	Cash Credit	Long Term	3.00	SMERA BB / Stable (Assigned)
	Term loan	Long Term	5.00	SMERA BB / Stable (Assigned)
	Letter of credit	Short Term	0.50	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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA BB+/Stable (Upgraded from SMERA BB/Stable)
Term loan	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB+/Stable (Upgraded from SMERA BB/Stable)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4+ (Reaffirmed)

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head – Ratings Operations Tel: +91-22-6714 1190 Email: vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Namita Palve, Rating Analyst, Tel: +91-22-6714 1111 Email: namita.palve@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.