

Press Release

Sarvottam Polymers Private Limited

February 20, 2019

Rating Upgraded



| | |
|-------------------------------------|--|
| Total Bank Facilities Rated* | Rs. 8.50 Cr. |
| Long Term Rating | ACUITE BBB- / Outlook: Stable (Upgraded from ACUITE BB+/Stable) |
| Short Term Rating | ACUITE A3 (Upgraded from ACUITE A4+) |

* Refer Annexure for details

Rating Rationale

Acuité has upgraded long-term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) and short term rating to '**ACUITE A3**' (read as **ACUITE A three**) from '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs.8.50 crore bank facilities of Sarvottam Polymers Private Limited (SPPL). The outlook is '**Stable**'.

The upgrade is in view of the improvement in revenue on account of the capital expenditure plan undertaken by the company and reduction of customer concentration risk. Acuité 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 and plastic caps, among others) at Silvassa and Vasai. The installed capacity stands at 250 tonnes per annum.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of SPPL to arrive at the rating.

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.

• Reputed clientele

The company has a reputed customer base and caters to Pidilite Industries Limited, Avenue Supermarkets Limited, Hersheys India Private Limited and Marico Limited to name a few. Acuité believes that the ability of the company to reduce customer concentration and diversify its customer base would be a key rating sensitivity factor.

• Moderate financial risk profile

SPPL has moderate financial risk profile as marked by net worth of Rs.15.31 crore in FY2018 (including quasi equity of Rs.6.67 crore) as against Rs.13.80 crore in the previous year. Out of total debt of Rs.13.74 crore in FY2018, long term debt consists of Rs.7.61 crore, short term debt of Rs.5.32 crore and balance is in the form of unsecured loans from directors/promoters of the company. Interest Coverage Ratio (ICR) has improved marginally from 3.08 times in FY2017 to 3.10 times in FY2018. Total Outstanding Liability to Total Net Worth (TOL/TNW) has increased to 1.36 times in FY2018 from 0.89 times in the previous year.

Weaknesses

• Moderate scale of operations

SPPL has been in operation for two decades and has relatively moderate scale of operations as marked by operating income of Rs.40.21 crore in FY2018 as compared to Rs.28.08 crore in the previous year. The company has grown at Compounded Annual Growth Rate (CAGR) of ~12 percent through 2014 to 2018.

• Moderate working capital cycle

SPPL has moderate working capital cycle as marked by Gross Current Asset (GCA) days of 103 in FY2018 as compared to 116 in the previous year. This is partially on account of increase in inventory levels from 51 days in the previous year to 58 days in FY2018 to meet the situation of exigencies. Receivables have marginally increased from 41 days in the previous year to 43 days in FY2018.

• Volatility of profitability margins

The profitability margins have remained uneven during the period under study. The EBITDA margins stood at 14.00 percent in FY2018 as against 10.91 percent in FY2017 and 12.25 percent in FY2016 on account of increase in raw material cost (highly volatile crude prices). The PAT margins have been uneven at 3.75 percent in FY2018 as against 2.77 percent in FY2017 and 4.96 percent in FY2016.

Liquidity Position:

The company has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company had generated cash accruals of Rs.2.90 crore in FY2017-18, while its maturing debt obligations were of Rs.2.16 crore in FY2017-18. The company's operations are working capital moderate as marked by gross current asset (GCA) days of 103 in FY 2018. This has led to moderate reliance on working capital borrowings, the working capital limit of the group remains utilised at ~70 percent during the last 6 months period ended December 2018.

Outlook: Stable

Acuite believes that SPPL 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 stability and 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 working capital cycle.

About the Rated Entity - Key Financials

| | Unit | FY18 (Actual) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 40.21 | 28.08 | 27.68 |
| EBITDA | Rs. Cr. | 5.63 | 3.06 | 3.39 |
| PAT | Rs. Cr. | 1.51 | 0.78 | 1.37 |
| EBITDA Margin | (%) | 14.00 | 10.91 | 12.25 |
| PAT Margin | (%) | 3.75 | 2.77 | 4.96 |
| ROCE | (%) | 16.51 | 12.35 | 18.99 |
| Total Debt/Tangible Net Worth | Times | 0.90 | 0.47 | 0.31 |
| PBDIT/Interest | Times | 3.10 | 3.08 | 5.76 |
| Total Debt/PBDIT | Times | 2.42 | 1.97 | 0.91 |
| Gross Current Assets (Days) | Days | 103 | 116 | 85 |

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/criteria-complexity-levels.htm>
Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|-------------|---------------------------------|------------|------------------|--------------------------------|
| 14-Dec-2017 | Cash Credit | Long Term | 3.00 | ACUITE BB+ / Stable (Upgraded) |
| | Term Loan | Long Term | 5.00 | ACUITE BB+ / Stable (Upgraded) |
| | Letter of Credit | Short Term | 0.50 | ACUITE A4+ (Reaffirmed) |
| 25-Aug-2016 | Cash Credit | Long Term | 3.00 | ACUITE BB / Stable (Assigned) |
| | Term Loan | Long Term | 5.00 | ACUITE BB / Stable (Assigned) |
| | Letter of Credit | Short Term | 0.50 | ACUITE A4+ (Assigned) |

***Annexure – Details of instruments rated**

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Cr.) | Ratings/Outlook |
|------------------------------------|------------------|----------------|----------------|------------------------------------|--|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 6.00 (Enhanced from Rs.3.00 cr) | ACUITE BBB-/Stable (Upgraded from ACUITE BB+/Stable) |
| Term loans | Not Applicable | Not Applicable | Not Applicable | 2.00 (Reduced from Rs.5.00 cr) | ACUITE BBB-/Stable (Upgraded from ACUITE BB+/Stable) |
| Bank guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | 0.50 | ACUITE A3 (Upgraded from ACUITE BB+/Stable) |

Contacts

| Analytical | Rating Desk |
|---|---|
| Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in Kunal Khera Analyst - Rating Operations Tel: 02249294042 kunal.khera@acuiteratings.in | Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in |

About Acuité Ratings & Research:

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