

### S.C.S. Agro Impex Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	0.50	SMERA BB-/Stable (Assigned)
Foreign Letter of Credit/Inland Letter of Credit/Flexible Credit Line/Bank Guarantee	5.00	SMERA A4+ (Assigned)

SMERA has assigned long term rating of '**SMERA BB-**' (**read as SMERA double B minus**) on the Rs.0.50 crore (fund based) facility and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs.5.00 crore (non-fund based) facility of S.C.S. Agro Impex Private Limited (SCSAPL). The outlook is '**Stable**'. The ratings are supported by the experienced management, long track record of operations and healthy financial risk profile. However, the ratings are constrained by the modest scale of operation, low profitability, working capital intensive operations and susceptibility of revenue and profitability to crude oil prices.

Incorporated on 15th March 2006, SCSAPL trades in poly granules. The company is promoted by Mr. Subbu Chandrasekar Prabhu, Mr. Subbu Chandra Sekar Sarath and Ms. Blessi Sorna Rachel who possess experience of about a decade in the plastic industry. Currently, the second generation promoters are responsible for the day-to-day operations. Poly granule is used as a raw material for manufacture of plastic bags, plastic covers, polythene covers among others.

The financial risk profile is marked by healthy gearing levels, comfortable debt protection metrics and low net worth base. As on March 31, 2016, the gearing level stood at 0.38 times. The interest coverage ratio and debt service coverage ratio stood at 2.27 times and 1.34 times respectively in FY2015-16. The net worth base of SCSAPL stood at Rs.5.27 crore as on March 31, 2016.

The modest scale of operations is marked by Rs.19.50 crore in FY2015-16 and Rs.41.49 crore in FY2014-15. The decline in revenue figures is due to fall in crude oil prices in FY2015-16. However, SCSAPL's low profitability is marked by net profit margin of 0.42 per cent and 0.55 per cent in FY2015-16 and FY2014-15 respectively. Also, the operating margins have been in the range of 1.3 to 2.9 percent in the preceding three years ended FY2015-16.

The working capital intensive operations are marked by high gross current asset days of 215 in FY2015-16 as compared to 77 days in FY2014-15. The creditor days have been 144 in FY2015-16 as compared to 63 in FY2014-15. The inventory days have been 157 in FY2015-16 compared to 61 in FY2014-15 and debtor's days stood at 28 in FY2015-16 as compared to 11 in FY2014-15. The average bank limit utilisation has been at a moderate 80 per cent in the last six months.

The revenue and profitability are susceptible to fluctuations in crude oil prices since poly granules is crude oil derivative product. Crude oil prices were \$59.62 per barrel in April 2015 and fell to around \$36.67 per barrel in March 2016.

#### Rating Sensitivity Factors

- Scaling up operations and profitability
- Efficient working capital management

## **Outlook – Stable**

SMERA believes that SCSAPL will maintain a stable outlook in the medium term while benefitting from its promoters' experience and healthy financial risk profile. The outlook may be revised to 'Positive' if SCSAPL scales up operations and profitability while improving working capital management. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues and profitability or if the working capital cycle further elongates.

### **Criteria applied to arrive at the ratings:**

- Trading entities

### **About the Company**

Incorporated on 15th March 2006, the Chennai-based SCSAPL is engaged in the trading of poly granules.

For FY2016, SCSAPL reported profit after tax (PAT) of Rs.0.08 crore on total operating income of Rs.0.35 crore, as compared with PAT of Rs.0.23 crore on total operating income of Rs.0.41 crore in FY2015.

### **Contacts:**

<b>Analytical</b>	<b>Business Development</b>
Mr. Mohit Jain Vice President – Ratings Operations Tel: +91-22-6714 1105 Cell: +91-9619911017 Email: <a href="mailto:mohit.jain@smera.in">mohit.jain@smera.in</a>	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: <a href="mailto:suman.m@smera.in">suman.m@smera.in</a>

### **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](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.