

Press Release

S.C.S. AGRO IMPEX PRIVATE LIMITED

December 08, 2017



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 5.50 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 5.50 crore bank facilities of S C S AGRO IMPEX PRIVATE LIMITED. The outlook is '**Stable**'.

Incorporated on 15 March, 2006, the Chennai-based SCSAPL is engaged in the trading of poly granules. The company caters to manufacturers of plastic and polythene bags, covers among others.

Key Rating Drivers

Strengths

- **Experienced management**

SCSAPL, incorporated in 2006 was promoted by Mr. Subbu Chandrasekar Prabhu, Mr. Subbu Chandra Sekar Sarath and Mr. Blessi Sorna Rachel. The promoters have around a decade of experience in the trading of plastic granules. The extensive experience has enabled the company forge healthy relations with customers and suppliers. SMERA believes that SCSAPL will continue to benefit from its experienced management and established relations with customers.

- **Moderate financial risk profile**

The financial risk profile is moderate marked by net worth of Rs.5.37 crore as on 31 March, 2017 (Provisional) as against Rs.5.27 crore as on 31 March, 2016. The gearing (debt-equity) stood at 0.17 times as on 31 March, 2017 (Provisional) as against 0.11 times as on 31 March, 2016. The total debt of Rs. 0.91 as on 31 March, 2017 (Provisional) consists of term loan of Rs.0.35 crore, unsecured loan of Rs.0.10 and working capital of Rs.0.46 crore. The interest coverage ratio stood at 2.05 times for FY2016-17 as against 2.27 times for FY2015-16. The total outside liabilities to Tangible networth stood at 1.58 times for FY2016-17. Further, SMERA believes that the financial risk profile will remain moderate owing to the absence of debt funded capex.

Weaknesses

- **Revenue susceptible to fluctuations in crude oil prices**

Since crude oil is the primary raw material for poly granules, fluctuations in the prices of crude can affect profit margins of the company.

- **Low profitability**

The EBIDTA margin for FY2016-17 (Provisional) stood at 3.55 per cent as against 3.87 per cent for FY2015-16. The net profit margins of the company have been low at 0.45 per cent for FY2016-17 (Provisional) as against 0.42 per cent for FY2015-16. This is mainly due to the trading nature of operations.

• Working capital intensive operations

The operations are working capital intensive marked by high Gross Current Asset (GCA) days of 188 for FY2016-17 (Provisional) as against 215 for FY2015-16. This is mainly due to elongated inventory and debtor days of 126 and 43 respectively for FY2016-17 (Provisional). Further, the working capital facility has been fully utilised in the last three months ended October, 2017.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of the company to arrive at the rating.

Outlook: Stable

SMERA believes that SCSAPL will maintain a stable outlook in the medium term owing to the extensive experience of its promoters. The outlook may be revised to 'Positive' if the company scales up operations and profitability while improving its working capital management. Conversely, the outlook may be revised to 'Negative' if the company registers lower-than-expected growth in revenue and profitability, or the working capital cycle further elongates.

About the Rated Entity - Key Financials

For FY2016-17, SCSAPL reported profit after tax (PAT) of Rs. 0.11 crore on operating income of Rs. 23.38 crore compared with PAT of Rs.0.08 crore on operating income of Rs. 19.50 crore for FY2015-16. The net worth as on 31 March, 2017 stood at Rs. 5.37 crore compared to Rs. 5.27 crore as on 31 March, 2016.

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

None.

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
27-Aug-2016	Cash Credit	Long Term	INR 0.5	SMERA BB- / Stable
	Letter of Credit	Short Term	INR 5	SMERA A4+

***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	0.50	SMERA BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A4+

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in
Kashish Shah Analyst - Rating Operations Tel: 022-67141152 kashish.shah@smera.in	

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. 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.