

Star Global Endura Limited: Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit*	6.00	SMERA BB/Stable(Assigned)
Term Loan	12.40	SMERA BB/Stable(Assigned)
Inland Letter of Credit/ Foreign Letter of Credit**	3.00	SMERA A4+(Assigned)
Bank Guarantee**	2.00	SMERA A4+(Assigned)
Forward Contract Limit	3.00	SMERA A4+(Assigned)

*Sub limit Bill discounting backed by confirmed letter of Credit of Rs. 2.00 crore, PCL/PCFC Rs.1.00 crore & PSL of Rs.1.00 crore

**ILC/FLC & BG are 100 per cent interchangeable with each other vice versa

Buyer's credit of Rs.3.00 crore is a sublimit of Non Fund Based limit of Rs.5.00 crore

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 Rs.26.40 crore bank facilities of Star Global Endura Limited (SGEL). The outlook is Stable.

For arriving at the ratings, SMERA has consolidated the business and financial risk profiles of Star Global Endura Limited (SGEL), Alliance Polysacks Private Limited (APPL), and Sidharth Polysacks Private Limited (SPPL), together referred to as the S-Group. The group has significant operational and financial linkages apart from a common management.

The ratings are supported by the experienced management and reputed clientele. However, the ratings are constrained by the moderate financial risk profile, working capital intensive operations and susceptibility of margins to raw material price fluctuations. The ratings also factor in the highly fragmented and competitive poly woven sacks industry.

S-Group is a Jaipur based group engaged in the manufacture of PP/HDPE woven sacks, PP multi-filament yarn and Ad*Star bags. The group benefits from its experienced management. Mr. Sanjay Jain possesses experience of over 20 years in the poly woven sack industry and heads the operations of all the four companies. The group has long standing relations of around 15 years with reputed companies such as Ultratech Cements, Ambuja Cements, JK Lakshmi Cement among others and also receives orders from Directorate General Of Supplies And Disposal (DGS&D).

However, the rating is constrained by the moderate financial risk profile. The overall gearing of the group stands relatively high at around 1.64 times as on March 31, 2016 (provisional) but is expected to deteriorate further on account of additional debt taken for expansion of Sidharth Polysacks Private Limited. Plans are on to expand capacity of SPPL at a project cost of around Rs.30.00 crore to be funded through a term loan of Rs.20.00 crore and own funds of Rs.10.00 crore. The project is expected to commence operations by September 2016. The interest coverage ratio and DSCR stand moderate at around 2.71 times and 1.24 times respectively in FY2016 (provisional).

Further, the group's operations are working capital intensive with high GCA of around 163 days in FY2016 (provisional), debtor's days of around 60 and inventory of around 64 days. The average working capital utilisation has been moderate at 83 per cent for SGEL and 59 per cent for SPPL from January to July, 2016.

The group is also exposed to intense competition in the poly filament yarn and woven sack industry and its margins are susceptible to raw material price fluctuations.

Rating Sensitivity Factors

- Scaling up operations and profitability amidst intense competition
- Improvement in capital structure
- Debt funded capex plan

Criteria applied to arrive at the ratings:

- Manufacturing Entities

Outlook – Stable

SMERA believes that the outlook of S-Group will remain stable owing to the extensive experience of the promoters in the business. The outlook may be revised to 'Positive' if the company is able to improve its overall financial risk profile or scale up operations with improvement in profitability margins. Conversely, the outlook may be revised to 'Negative' in case of additional working capital borrowings leading to deterioration in the overall gearing or weakening of profitability margins.

About the Company

SGEL was incorporated in 2009 under the directorship of Mr. Sanjay Jain, Mrs. Manisha Jain, Mr. Ranjan Sharma and Mrs. Sakshi Sehgal. The company manufactures multi-filament yarn used to stitch woven sacks. The plant is located at Village Surana, Jaipur and has manufacturing capacity of 2400 mtpa.

SPPL was incorporated in 1998 under the directorship of Mr. Sanjay Jain and Mr. Lal Singh Sisodia. The company is engaged in the manufacturing of poly propylene (PP) and high density polyethylene (HDPE) woven sacks and caters to cement manufacturers. The company has a plant in Newai, Jaipur (Rajasthan) with manufacturing capacity of 5400 mtpa.

APPL, incorporated in 2009, manufactures Ad*Star bags and traditional woven sacks. Ad Star bags are durable and hence, have replaced traditional paper bags in packaging. The company's plant is located at Village Surana, Jaipur.

For FY2015-16, S-Group reported profit after tax (PAT) of Rs.2.38 crore on operating income of Rs.200.60 crore (provisional), as compared with profit after tax (PAT) of Rs.2.15 crore on operating income of Rs.183.27 crore in FY2014-15.

Contacts:

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

ABOUT SMERA

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