

Santoshi Polymers: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	8.50	SMERA BBB-/Stable (Assigned)
Letter of Credit	5.40	SMERA A3 (Assigned)
Bank Guarantee	0.10	SMERA A3 (Assigned)

SMERA has assigned rating of '**SMERA BBB-**' (**read as SMERA triple B minus**) and short term rating of '**SMERA A3**' (**read as SMERA A three**) to the Rs.14.00 crore bank facilities of Santoshi Polymers (SP). The outlook is '**Stable**'.

For arriving at the rating, SMERA has consolidated the business and financial risk profiles of Santoshi Barrier Film India Private Limited (SBIPL) and Santoshi Polymers (SP) referred to as the Santoshi Group. The consolidation is in the view of the common ownership and operational linkages within the group.

The ratings derive comfort from the company's experienced management, healthy revenue growth, stable operating margins and above average financial risk profile. However, the ratings are constrained by the working capital intensive operations and the highly fragmented and competitive packaging industry.

The Santoshi Group is headed by Mr. Amresh Shah, Mr. Dinesh Atkare, Mr. Madan Atkare and Mrs. Dipali Atkare who possess more than two decades of experience in the plastic industry. The group is engaged in the manufacture of plastic lamination films, blown films used in various industries including FMCG, food packaging and beverages. The group has registered compounded annual growth rate (CAGR) of 32 per cent from FY2012-13 to FY2015-16. The revenues increased from Rs.77.29 crore in FY2014-15 to Rs.109.18 crore in FY2015-16 (Provisional). Further, as per April–August 2017 (Provisional), the revenues stand at Rs.54.70 crore. The margins of the group have remained largely stable and range bound. The EBIDTA margins stood at 8.25 per cent in FY2015-16 (provisional) compared to 8.18 per cent in FY2014-15.

The financial risk profile of Santoshi Group is above average marked by gearing of 0.87 times as on March 31, 2016 (Provisional) as compared with 1.24 times as on March 31, 2015 on account of infusion of funds by promoters in FY2015-16. The group's debt protection metrics improved as ICR stood at 2.71 times in FY2015-16 (Provisionals) as compared to 1.81 in FY2014-15.

However, the group's operations are working capital intensive as reflected in the high gross current assets of 165 days in FY2015-16 (235 days in FY2014-15). This is on account of the high inventory based on trends related to raw material prices. The debtor days are in the range of 90 – 120 days. The ratings also factor in the highly fragmented and competitive flexible packaging industry.

Rating Sensitivity Factors

- Volatility in raw material prices impacting profitability
- Sustainable and substantial growth in revenues with improvement in profitability
- Improvement in the financial risk profile

Outlook-Stable

SMERA believes that the Santoshi Group will maintain a stable outlook in the medium term and continue to benefit from its experienced management and established presence in the plastic lamination film segment. The outlook may be revised to 'Positive' if the scale of operations increases substantially while also maintaining its operating profitability and coverage indicators. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve scalability amidst intensifying competition in its area of operations or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

Criteria applied to arrive at the ratings:

- Manufacturing Entities
- Consolidation

About the Group

The Santoshi Group comprises two entities viz. Santoshi Barrier Film India Private Limited and Santoshi Polymers, engaged in the plastic film business. The group manufactures plastic lamination films, blown films used in FMCG for packaging of food and beverages.

In FY2014-15, the group reported profit after tax (PAT) of Rs.1.60 crore on operating income of Rs.77.29 crore, as compared to PAT of Rs.1.41 crore on operating income of Rs.59.38 crore in the previous year. Further, as per FY2015-16 (Provisionals), PAT stood at Rs.3.12 crore on operating income of Rs.109.18 crore.

About the Company

The Daman-based SP was incorporated in 2003 by Mr. Dinesh Atkare and Mr. Amresh Shah (Partners). The company is engaged in the manufacture of plastic lamination films at Daman and has a capacity of 12 tonnes per day.

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ABOUT SMERA

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