

Press Release

Shah Paperplast Industries Limited (SPIL)

30 January, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.9.00 Cr
Long Term Rating	SMERA B/Stable (Assigned)
Short Term Rating	SMERA A4 (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long term rating of '**SMERA B**' (read as **SMERA B**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the above facilities.

The Gujarat-based SPIL, is engaged in the manufacture of plastic and paper products.

List of key rating drivers and their detailed description

Strengths:

Long track record of operations and experienced management: SPIL was incorporated in 2006. The company is headed by Mr.Nilesh Shah, Mr.C.C.Shah and Mrs. Sheetal Shah, Directors who possess over a decades experience in the plastic industry.

Low gearing (Debt to Equity ratio): The gearing level (debt-to-equity) is low at 0.65 times as on 31 March, 2016 and 0.61 times as on 31 March, 2015.

Weaknesses:

Modest scale of operations: The scale of operations is modest with operating income of Rs.14.98 crore in FY2015-16 as against Rs.16.76 crore in FY2014-15. The decline in revenues is on account of low demand from end users. Further, as indicated by the management, the company achieved revenue of Rs.16 crore for 8MFY2016-17.

Low profitability: SPIL reported operating margin of 7.69 percent in FY2015-16 as against 7.93 percent in FY2014-15. Further, SPIL reported net loss of 0.07 crore in FY2015-16 as against 0.13 crore in FY2014-15.

Moderate coverage indicators: The Interest coverage ratio (ICR) stood at 1.45 times for FY2015-16 as compared to 3.06 times for FY2014-15. The Debt service coverage ratio (DSCR) stood at 0.55 times for FY2015-16 as compared to 2.93 times for FY2014-15.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the company.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that SPIL will maintain a stable outlook over the medium term owing to the promoters' extensive experience. The outlook may be revised to 'Positive' in case of better-than-expected revenues and profitability along with efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of considerable decline in revenue and profitability or deterioration in the working capital management.

About the Rated Entity

The Gujarat based-SPIL, was incorporated in 2006 by Mr. Nilesh Shah, Mr. C.C.Shah and Mrs. Sheetal Shah. The company is engaged in the manufacture of plastic and paper products like plastic cups, plates and bowls among others and exports the same to USA and UK.

For FY2015-16, the company reported net loss of Rs.0.07 crore on operating income of Rs.14.98 crore, as compared with PAT of Rs.0.13 crore on operating income of Rs.16.76 crore in FY2014-15. The net worth stood at Rs.10.66 crore as on 31 March, 2016 against Rs.10.47 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating
Term Loan	LT	2.25	SMERA B/Stable	-	-	-	-
Packing Credit	ST	6.00	SMERA A4	-	-	-	-
Letter of Credit	ST	0.75	SMERA A4	-	-	-	-

*Annexure – Details of instruments rated:

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Term Loan	January, 2017	N.A	August, 2021	2.25	SMERA B/Stable (Assigned)
Packing Credit	N.A	N.A	N.A	6.00	SMERA A4 (Assigned)
Letter of Credit	N.A	N.A	N.A	0.75	SMERA A4 (Assigned)

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

Contacts:

Analytical	Rating Desk
Mr. Vinayak Nayak, Head – Ratings Operations SMERA Bond Ratings Tel:022-67141190 Email: vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Mr. Aakash Madia, Rating Analyst Tel: 022-61031111 Email: aakash.madia@smera.in	

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.

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.