

Press Release

SABARMATI PAPERS PRIVATE LIMITED (SPPL)

March 12, 2018



Rating Upgraded and Assigned

Total Bank Facilities Rated*	Rs. 19.00 Cr. (Enhanced from Rs. 14.00 cr.)
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has upgraded the long-term rating of '**SMERA BB**' (read as **SMERA BB**) on the Rs. 14.00 crore bank facilities of SABARMATI PAPERS PRIVATE LIMITED (SPPL). Further SMERA has assigned Long term rating of '**SMERA BB**' (read as **SMERA BB**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the enhanced bank facilities of Rs.5.00 crores. The outlook is '**Stable**'.

Sabarmati Papers Private Limited (SPPL), a Gujarat-based company was incorporated in 1969 and promoted by Mr. Mahendrabhai Patel and Mr. Chinmay Patel. The company manufactures paper boards of 250-600 Grams per Square Meter (GSM), used mainly in the packaging industry. The company has undertaken an expansion plan to expand its installed capacity to 3600 M.T (Metric tonnes) per month from the existing 2100 M.T (Metric tonnes) per month funded through term loan from bank and unsecured loan from promoters.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

SPPL has an established track record since 1969. The promoters Mr. Mahendrabhai Patel and Chinmay Patel have around four decades of experience in the packaging industry. The extensive experience of the promoters has helped the company to build strong relations with suppliers and customers.

- **Modest scale of operations**

The scale of operations is modest with operating income of Rs.39.21 crore for FY2017 as against Rs.34.10 crore for FY2016. The company has reported revenue of Rs.48.00 crore till January 2018.

- **Moderate financial risk profile**

SPPL financial risk profile is marked by moderate net worth of Rs. 13.51 crore (including subordinated unsecured loans of Rs.4.11 cr) in FY2017 as against Rs. 12.49 crore (including subordinated unsecured loans of Rs.3.74 cr) in FY2016. The debt equity Ratio increased to 1.02 times in FY2017 from 0.67 times in FY2016. Interest coverage ratio stood at 2.38 times for FY2017 as against 2.27 times for FY2016. The DSCR stood at 2.20 times in FY2017 and 1.66 times in FY2016.

Weaknesses

- **Low profitability**

SPPL has operating margin of 7.59 percent and net profit of Rs. 0.65 crore in FY2017 as against operating margin of 6.91 percent and net loss of Rs.0.51 crore in FY2016. Further, the profitability remains susceptible to fluctuations in raw material prices.

• **Competitive and fragmented industry**

The company is engaged in the manufacture of packaging cartons and is exposed to intense competition in the packaging industry.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of SPPL

Outlook: Stable

SMERA believes that the outlook of SPPL will remain stable in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company achieves sustained growth in revenues and profit margins. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues and profit margins.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	39.21	34.10	32.62
EBITDA	Rs. Cr.	2.97	2.36	2.17
PAT	Rs. Cr.	0.65	-0.51	-0.60
EBITDA Margin	(%)	7.59	6.91	6.66
PAT Margin	(%)	1.65	-1.49	-1.85
ROCE	(%)	8.78	5.55	-0.39
Total Debt/Tangible Net Worth	Times	1.02	0.67	1.27
PBDIT/Interest	Times	2.38	2.27	1.38
Total Debt/PBDIT	Times	4.24	3.48	7.09
Gross Current Assets (Days)	Days	131	182	211

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>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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. Crore)	Ratings/Outlook
17-Jul-2017	Cash Credit	Long Term	8.00	SMERA BB- / Stable (Assigned)
	Term Loan	Long Term	1.34	SMERA BB- / Stable (Assigned)
	Term Loan	Long Term	4.66	SMERA BB- / Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00 (Enhanced from 8.00)	SMERA BB / Stable (Upgraded & Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	1.03 (repaid/reduced from 1.34)	SMERABB / Stable (Upgraded)
Term loans	Not Applicable	Not Applicable	Not Applicable	2.97 (repaid/reduced from 4.66)	SMERABB / Stable (Upgraded)
Proposed Facility	Not Applicable	Not Applicable	Not Applicable	1.73	SMERA BB / Stable (Assigned)
Letter of Credit/ Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.27	SMERA A4+ (Assigned)

Contacts

Analytical	Rating Desk
<p>Suman Chowdhury President - SMERA Bond Ratings Tel: 022-67141107 suman.chowdhury@smera.in</p> <p>Rupesh Patel Analyst - Rating Operations Tel: 022-67141320 rupesh.patel@smera.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in</p>

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.*