

Press Release

Indian Resins & Polymers

06 December, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 59.00 Cr.
Long Term Rating	SMERA BBB-/ Outlook: Stable
Short Term Rating	SMERA A3

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) and short term rating of '**SMERA A3**' (read as **SMERA A three**) on the Rs. 59.00 crore bank facilities of Indian Resins & Polymers (IRP). The outlook is '**Stable**'.

IRP, a Kollam based partnership firm was established in 1979 by Late Mr. P. Gopinath Nair. Currently the business is run by Mr. G. Sureshchandran Nair, son of Mr. P. Gopinath Nair and Mrs. Rina Nair. The firm started its operations with manufacturing of cashew kernels and shell oils. Currently it is engaged in trading of raw cashew which it imports from African countries and sells it to the processors in Tamil Nadu, Kerala and Andhra Pradesh.

Key Rating Drivers

Strengths

Experienced management and long track record of operations

Established in 1979, IRP has a track record of nearly four decades in the cashew business. Initially the firm was engaged in the business of manufacture in cashew kernels and shell oils and exporting the same which was discontinued in 2008-09. The firm now trades in raw cashew. Nair family has over 38 years of experience in cashew business.

Comfortable financial risk profile

The firm has comfortable financial risk profile marked by healthy net worth, comfortable gearing and healthy debt protection measures. The net worth stands comfortable at Rs.30.56 crore in FY 2017 as compare to Rs. 30.69 crore in FY 2016. The gearing is comfortable at 0.54 times in FY 2017 as against 0.15 times in FY 2016. The total debt of Rs 16.35 crore as on 31st March'17 consists of Rs 16.31 crore of short term borrowings from bank and Rs 0.04 crore of unsecured loan from relatives. The interest coverage ratio stands of 2.26 times in FY 2017 as compare 3.78 times in FY 2016. The NCA/TD stood at 0.09 times in FY 2017 as against 0.56 times in FY 2016.

SMERA believes that the firm will maintain healthy financial risk profile over the medium term.

Adequate Liquidity

The liquidity position of the firm is comfortable marked by net cash accruals of around Rs. 1.53 crore in FY 2017 as against Rs 2.56 crore in FY 2016 with no long term debt repayment obligations. Also the

firm has healthy liquidity in the form of unencumbered short term deposits of Rs 22.34 crs as on 31st March'2017. Moreover, the firm has utilized only ~ 20 per cent of its working capital limit of Rs 59 crs for six months ended October'17.

The company does not have any significant debt funded capex plans in the medium term. Hence, the team expects the liquidity position of the firm to be maintained at healthy levels over the medium term.

Weaknesses

Modest scale of operations

The scale of operations is modest with revenue of Rs 60.34 crore in FY2017 as against Rs 60.49 crore in FY2016. The firm has booked revenues of around Rs. 56 crs till November 2017 (provisional).

Presence in competitive and fragmented industry

The domestic cashew industry is highly fragmented, marked by the presence of many small players which leads to intense competition.

Volatility in raw material prices

The operating margins of IRP are susceptible to volatile raw material prices (Cashew). EBITDA margin has increased marginally to 3.01 per cent for FY2017 as against 2.93 per cent in FY2016. The major raw material, raw cashew nut being an agro product has seasonal availability and its production is vulnerable to climatic changes, leading to fluctuations in its prices. The profitability of the firm thus remains susceptible to fluctuations in the prices of raw material and its availability. Rise in prices will affect the operating margins unless the same is passed on the customers.

Analytical Approach

For arriving at the rating, SMERA has considered the standalone business and financial risk profiles of IRP.

Outlook: Stable

SMERA believes IRP will maintain a stable business risk profile in the medium term on account of its experienced management and above average financial risk profile. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile.

About the Rated Entity - Key Financials

For FY2016-17 - the firm reported Profit after tax (PAT) of Rs 1.33 crore on operating income of Rs 60.34 crore as against PAT of Rs 2.34 crore on operating income of Rs 60.49 crore in FY2015-16.

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	19.00	SMERA BBB-/Stable (Assigned)
Buyers Credit	Not Applicable	Not Applicable	Not Applicable	40.00	SMERA A3 (Assigned)

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ABOUT SMERA

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