

Press Release

PADMEY IMPEX PRIVATE LIMITED

December 15, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 20.00 crore bank facilities of PADMEY IMPEX PRIVATE LIMITED. The outlook is '**Stable**'.

Padmey Impex Private Limited (PIPL) was established in 2005 and converted to private limited company in 2008. The company promoted by Mr Premal Doshi and Mr Jinesh Doshi is engaged in the manufacturing of plastic bags for the garment industry. The manufacturing unit with an installed capacity of 6000 plastic bags/day is located at Daman. The company processes 2000 tonnes of plastic granules per month.

Key Rating Drivers

Strengths

- **Established track record and experienced management**

PIPL, established in 2005 as a partnership concern, was incorporated as a private limited company in 2008. Mr. Premal Doshi and Mr. Jinesh Doshi possess experience of more than two decades in the manufacturing of plastic. Further it has long standing relations of over a decade with its distributors and dealers. The company's suppliers include Reliance Industries, GAIL, ONGC, Mittal Energy among others.

- **Moderate financial risk profile**

The financial risk profile of PIPL is moderate marked by net worth of Rs.12.18 crore as on 31 March, 2017 as against Rs.11.22 crore as on 31 March, 2016. The net worth includes quasi equity of Rs 2.39 crore. The gearing stood at 1.16 times as on 31 March, 2017 as against 0.91 times as on 31 March, 2016. The total debt of Rs. 14.08 crore comprises cash credit facilities availed from the bank. The interest coverage ratio stood at 1.99 times in FY2017 as against 1.48 times in FY2016. The NCA/TD stood at 0.08 times in FY2017 as against 0.09 times in FY2016.

Weaknesses

- **Thin profitability margin**

The operating profit margin of PIPL stood at 0.99 percent in 2017 compared to 1.35 percent in 2016. The thin profit margins are due to its low bargaining power with upstream polymer manufacturers and small scale of business.

- **Average working capital cycle**

The working capital cycle stood at 52 days in FY2017 as against 49 days in FY2016 mainly on account of low creditor of 5 days in FY2017 and 6 days in FY2016. The debtor days stood at 35 in FY2017 and 33 in FY2016. The inventory days stood at 22 in FY2017. The GCA days stood at 63 in FY2017 as against 55 in FY2016. However, the bank limit utilisation stood at ~99 per cent for the last six months ended October 2017. The cash credit limits have been over utilised in October. The same was regularised within 14 days.

- **Highly competitive and fragmented industry**

PIPL operates in a highly competitive and fragmented packaging industry

Analytical Approach

SMERA has considered the standalone business and financial risk profile of PIPL.

Outlook: Stable

SMERA believes that the company will maintain a Stable outlook over the medium term owing to its promoters extensive industry experience. The outlook may be revised to 'Positive' in case of sustainable growth in revenue or operating margins. Conversely, the outlook may be revised to 'Negative' if the liquidity position of the company deteriorates or if the company undertakes significant debt funded capex leading to deterioration in its financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	229.88	229.00	194.31
EBITDA	Rs. Cr.	2.28	3.09	2.94
PAT	Rs. Cr.	0.96	0.70	0.33
EBITDA Margin	(%)	0.99	1.35	1.51
PAT Margin	(%)	0.42	0.31	0.17
ROCE	(%)	11.29	14.27	30.33
Total Debt/Tangible Net Worth	Times	1.16	0.91	1.23
PBDIT/Interest	Times	2.20	1.66	1.23
Total Debt/PBDIT	Times	4.79	3.30	3.32
Gross Current Assets (Days)	Days	63	55	49

Any other information

none

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing 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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.00	SMERA B+ / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	9.00	SMERA A4

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in
Swati Banthia Analyst - Rating Operations Tel: 022-67141116 swati.banthia@smera.in	

ABOUT SMERA

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