

Press Release

Sharda Containers Private Limited

15 January, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA double B minus**) on the Rs. 10.00 crore bank facilities of Sharda Containers Private Limited (SCPL). The outlook is '**Stable**'.

SCPL, incorporated in 1994, is a Delhi-based company, engaged in the manufacture of HDPE plastic drums and barrels. The company, promoted by Mr. S.N. Mittal, Mr. N.K. Mittal, Mrs. Neera Mittal, and others procures raw material, i.e. plastic granules, from Indian Oil Corporation, GAIL, Reliance and others and sells its finished products in north India under the Sharda brand. The installed capacity stands at 150 metric tonnes per month.

Key Rating Drivers

Strengths

- **Experienced promoters and long track record of operations**

SCPL has long track record of 23 years in the plastic industry. The promoters have more than two decades of experience in the industry. This has enabled the company establish long term relationships with customers and suppliers.

- **Moderate financial risk profile**

The moderate financial risk profile is marked by modest net worth, gearing and comfortable debt protection metrics. The net worth stood at Rs.8.24 crore in FY2017 compared to Rs.6.53 crore in FY2016. The increase in net worth is mainly on account of profits being retained in the business as reserves and also due to increase in unsecured loans from friends and relatives (Rs.3.22 crore in FY2017 compared to Rs.2.22 crore in FY2016). The unsecured loans from promoters have been treated as quasi equity by SMERA based on an undertaking that the same would be maintained in the business over the medium term. The gearing stood at 1.45 times in FY2017 compared to 1.05 times in FY2016. The interest coverage ratio (ICR) increased to 2.73 times in FY2017 compared to 1.76 times in FY2016 due to increase in profitability. The net cash accruals against total debt (NCA/TD) stood at 0.10 times in FY2017. The debt service coverage ratio (DSCR) stood at 1.86 times in FY2017 and 1.64 times in FY2016.

Weaknesses

- **Moderate scale of operations**

The scale of operations of the company is moderate with revenue of Rs.26.94 crore in FY2017 as against Rs. 26.67 crore in the preceding year.

- **Competitive and fragmented industry**

The company is engaged in the manufacture of HDPE drums & barrels and operates in a highly competitive industry with extremely low entry barriers.

- **Working capital intensive nature of operations**

The working capital intensive operations is marked by Gross Current Asset (GCA) days of 122 in FY2017, 112 days in FY2016 and 66 days in FY2015 on account of debtor days increasing to 59 and 41 in FY2017 and FY2016 respectively.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of SCPL.

Outlook: Stable

SMERA believes that SCPL will maintain a Stable outlook and benefit over the medium term owing to its established presence in the industry and experienced management. The outlook may be revised to 'Positive' in case the company registers sustained growth in revenues while improving its margins and working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile or if the working capital cycle gets elongated.

About the Rated Entity - Key Financials

For FY2017, SCPL reported profit after tax (PAT) of Rs.0.71 crore on total operating income of Rs.26.94 crore, compared to PAT of Rs.0.20 crore on total operating income of Rs.26.67 crore in FY2016.

Status of non-cooperation with previous CRA (if applicable)

NA

Any other information

NA

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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BB- / Stable

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