

Press Release

STARWING PLASTIC AND CHEMICALS PRIVATE LIMITED

April 16, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 15.00 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 minus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs. 15.00 crore bank facilities of STARWING PLASTIC AND CHEMICALS PRIVATE LIMITED. The outlook is '**Stable**'.

SPCPL incorporated in 2013, engaged in trading of Plastic (granules, Powder and other Raw material for plastic industries), Industrial chemicals (Titanium Dioxide, Tafmer- DF 610; 640; 740; etc. and fabrics. It is 100% subsidiary of Starwing Developers Private Limited.

Key Rating Drivers

Strengths

- **Experienced management**

Incorporated in 2013 the company is promoted and managed by Rajeev Dube who possesses more than three decades of experience.

- **Average Financial Risk Profile**

SPCPL has average financial risk profile marked by net worth of Rs. 2.88 crore as on 31 March 2017 as compared to Rs. 1.41 crore as on 31 March 2016. The debt to equity ratio of the company stood at 2.96 times as on 31 March 2017 as compared to 3.27 times as on 31 March 2016. Further interest coverage ratio of the firm stood at 0.98 times for FY2016-17 as compared to 0.76 times for FY2015-16.

Weaknesses

- **Below-Average Working Capital Management**

The operations of the firm are below average marked by Gross Current Asset (GCA) of 77 days in FY2017 as against 167 days in FY2016. The average bank limit utilization for the past six months is almost 100 per cent. SMERA believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

- **Low Profitability Margins**

The EBITDA margins of the firm are 0.44 per cent in FY2017 as compared to 0.19 per cent in FY2016. SMERA believes that profitability margin will remain stagnant in the medium term.

- **Competitive and fragmented industry**

The firm is engaged in the trading of Plastic granules & other materials, industrial chemicals and fabric. This industry is marked by presence of several mid to big size players. Moreover, a larger segment of the industry is dominated by the unorganized players. This exposes the company to competitive pressure, which is evident from SPCPL's thin profitability and low entry barriers.

Analytical Approach

SMERA has considered the standalone financial risk profile of Starwing plastics and chemicals private

limited.

Outlook: Stable

SMERA believes SPCPL will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the firm registers sustained growth in revenues while improving profitability and debt protection matrix. The outlook may be revised to 'Negative' in case of deterioration in the firm's financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	58.07	30.21	18.65
EBITDA	Rs. Cr.	0.25	0.06	-0.30
PAT	Rs. Cr.	-0.03	-0.14	-0.37
EBITDA Margin	(%)	0.44	0.19	-1.63
PAT Margin	(%)	-0.05	-0.45	-2.00
ROCE	(%)	9.81	7.08	-12.31
Total Debt/Tangible Net Worth	Times	2.96	4.86	2.21
PBDIT/Interest	Times	0.98	0.76	-1.08
Total Debt/PBDIT	Times	8.83	13.96	-12.63
Gross Current Assets (Days)	Days	77	167	128

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

CRISIL vide Press Release dated March 07, 2018 mentioned that issuer not cooperating, based on best-available information; Ratings continues to be 'CRISIL B/Stable/CRISIL A4 Issuer not cooperating'; Ratings withdrawn.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Trading Entities - <https://www.smerra.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.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	4.00	SMERA B- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	11.00	SMERA A4

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ABOUT SMERA

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