

Press Release

Kemron Wood Plast Private Limited

May 17, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 6.26 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+** (**read as SMERA B plus**) on the Rs.6.26 crore bank facilities of Kemron Wood Plast Private Limited. The outlook is '**Stable**'.

Kemron Wood Plast Private Limited (KWPL) based in Rajkot (Gujarat) was incorporated in June, 2015 and the commercial operations commenced from July, 2016. The company is manufacturer and supplier of PVC Sheet, WPC Sheet, PVC Foam Board among others.

The manufacturing facility is located at Rajkot (Gujarat) with installed capacity of 2500 MTPA. The company products are used in household, shuttering industries, furniture industries, automotive industries and outdoor purposes.

Key Rating Drivers

Strengths:

Experienced management

KWPL is promoted by Manhar Bhuva, Nikul Bhuva, Ashish Gondaliya and Ketan Sangani. The promoters have over a decade of experience in the plastic and polyvinyl chloride (PVC) sheets industry through their association with other firms involved in the same line of business.

Locational advantage

KWPL benefits in terms of easy access to quality material and lower transportation cost due to its proximity to material suppliers i.e. chemical and packaging material manufacturing companies.

Weaknesses:

Average financial risk profile

The financial risk profile is marked by low net worth which stood at Rs.2.68 crore as on 31 March, 2017 as compared to net worth of Rs.2.14 crore as on 31 March, 2016. The gearing (debt-equity ratio) stood high at 2.67 times as on 31 March, 2017 as compared to 2.57 times as on 31 March, 2016. Interest Coverage Ratio stood at 2.47 times in FY2017 and 0.58 in FY2016. The Debt Service Coverage Ratio stood at 1.36 times in FY2017.

Susceptibility of margins to fluctuations in raw material prices

The company is exposed to fluctuations in raw material prices of chemicals and polyvinyl chloride (PVC) which are depended on the price of crude oil. Any adverse movements in raw material prices will have a direct bearing on profitability.

Intense competition and fragmented industry

KWPL faces stiff competition from other small and unorganised players in the industry, which limits the bargaining power with customers and suppliers, hence, exerts pressure on its margins.

Analytical Approach:

SMERA has considered the standalone business and financial risk profile of KWPL for arriving at the rating.

Outlook: Stable

SMERA believes that KWPL will maintain a 'Stable' business risk profile over the medium term on the back of its experienced management. The outlook may be revised to 'Positive' in case of sustained growth in revenues while improving profitability and debt protection matrix. The outlook may be revised to 'Negative' in case of deterioration in financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	14.57	2.25	-
EBITDA	Rs. Cr.	1.84	0.18	-
PAT	Rs. Cr.	0.12	-0.59	-
EBITDA Margin	(%)	12.60	8.23	-
PAT Margin	(%)	0.83	-26.15	-
ROCE	(%)	8.88	-7.30	-
Total Debt/Tangible Net Worth	Times	1.48	1.79	1.24
PBDIT/Interest	Times	2.47	0.58	-
Total Debt/PBDIT	Times	3.38	31.63	-
Gross Current Assets (Days)	Days	117	634	-

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

None

Any other information:

Not Applicable

Applicable Criteria:

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.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. Crore)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	4.26	SMERA B+ / Stable

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ABOUT SMERA

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