

Press Release

Comfort Rubber Industries

June 12, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.12.00 crore bank facilities of Comfort Rubber Industries (CRI). The outlook is '**Stable**'.

The Maharashtra-based, CRI was established in 1990 as a partnership firm by Mr. Satyendra Shekhawat and Mrs. Sangeeta Shekhawat. The firm manufactures HDPE and PP woven bags at Boisar (Maharashtra) and has an installed capacity of 950 metric ton per day.

Key Rating Drivers

Strengths

- **Experience management and established track record**

CRI was established in 1990 by Mr. Satyendra Shekhawat and Mrs. Sangeeta Shekhawat who possess experience of more than two decades in the plastic and PP woven bags industry.

- **Above average financial risk profile**

The financial risk profile is marked by low net worth of Rs.2.62 crore in FY2017 as compared to Rs.1.51 crore in FY2016. The gearing stood comfortable at 0.32 times in FY2017 as compared to 0.76 times in FY2016. The Interest Coverage Ratio stood higher at 6.71 times in FY2017 as against 5.62 times in FY2016. The DSCR ratio stood at 6.68 times in FY2017 and 5.59 times in FY2016.

- **Reputed clientele**

The extensive experience of the management has helped the firm build long term relations with customers and suppliers. The firm caters to reputed clients including Amul Dairy, Lupin Ltd., IPCA Laboratories, and Zenith Dye Intermediates Limited.

Weaknesses

- **Working capital intensive operations**

The operations are working capital intensive marked by Gross Current Assets days of 131 for FY2016-17 as against 159 days in the previous year. Further, the debtor days stood at 81 in FY2016-17 compared to 95 in FY2015-16.

- **Intense market competition**

The firm is exposed to intense competition in the packaging industry on account of low entry barriers and easy availability of raw materials.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the firm to arrive at the rating.

Outlook: Stable

Acuite believes that CRI will maintain a 'Stable' outlook over the medium term owing to its partners experience in the industry. The outlook may be revised to 'Positive' in case the firm is able to register healthy revenues and sustain profitability. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenue, profit margins and working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	9.40	8.15	7.29
EBITDA	Rs. Cr.	0.67	0.46	0.36
PAT	Rs. Cr.	0.49	0.33	0.26
EBITDA Margin	(%)	7.10	5.63	4.93
PAT Margin	(%)	5.17	4.05	3.51
ROCE	(%)	19.23	20.47	44.38
Total Debt/Tangible Net Worth	Times	0.32	0.76	0.30
PBDIT/Interest	Times	6.71	5.62	6.96
Total Debt/PBDIT	Times	1.26	2.50	0.90
Gross Current Assets (Days)	Days	131	159	108

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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	6.00	ACUITE BB-/ Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A4+

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About Acuité Ratings & Research:

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