



**Press Release**  
**SML Films Limited**  
**January 02, 2025**  
**Rating Assigned and Downgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	ACUITE A   Stable   Downgraded	-
Bank Loan Ratings	85.00	-	ACUITE A1   Assigned
Bank Loan Ratings	305.00	-	ACUITE A1   Downgraded
Total Outstanding Quantum (Rs. Cr)	400.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has downgraded the long term rating to '**ACUITE A**' (read as **ACUITE A**) from '**ACUITE A+**' (read as **ACUITE A plus**) and short term rating to '**ACUITE A1**' (read as **ACUITE A one**) from '**ACUITE A1+**' (read as **ACUITE A one plus**) on the Rs.315 Cr. bank facilities of SML Films Limited. The outlook is "**Stable**".

Acuite has assigned the short term rating of '**ACUITE A1**' (read as **ACUITE A one**) on the Rs.85 Cr. bank facilities of SML Films Limited (SML).

**Rationale for Rating**

The rating takes into consideration PAT loss of Rs. 43.20 crore, majorly due to higher depreciation of fixed assets and higher interest costs due to changes in EURIBOR rates, along with significant moderation in the earning profile as reflected by decline in EBITDA margins from 14.18% in FY2023 to 5.84% in FY2024. The raw material prices which are crude oil derivatives were affected due to geopolitical issues, and higher prices could not be passed on to the customers resulting in decline in margins. The net worth of the company has also decreased from Rs.704.93 crore in FY2023 to Rs.661.72 crore in FY2024. However, net cash accruals remained moderate at Rs.87.21 crore against debt obligations of Rs.50.16 crore in the same period. However, the rating continues to drive strength from healthy financial risk profile reflected via healthy debt coverage indicators and improving industry dynamics.

**About the Company**

SML Films Limited. (SML) develops, manufactures and supplies various PET films under the brand name, "METLON". Based in Surat, they have been successfully progressing in this field for over 22 years. Their wide product range includes Clear, Metallised and Lacquer Coated Polyester Film, Metallic Yarn (Badla) and Glitter Powder. SML has a dedicated work force that is totally focused on meeting challenging customer demands and maximizing customer satisfaction. Over the years, the company's experience and expertise have helped us for a strong and long-term business relationship with our clients. The company was incorporated in the year 2002 and directors include Mr. Dharmesh Harishkumar Jariwala, Mr. Chintan Nikunjibhai Dalia and Mr. Pragnesh Ishwarlal Jariwala.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

Acuité has considered the standalone business and financial risk profile of SML for arriving a this rating.

## Key Rating Drivers

### Strengths

#### Moderation in financial risk profile

The company's financial risk profile is marked by a healthy net worth, gearing and debt protection metrics. The net worth of the company stood at Rs. 661.72 Cr. in FY2024 as compared to Rs. 704.93 Cr. in FY2023. The gearing of the company stood at 0.45 times in FY2024 against 0.48 times in FY2023. Interest coverage ratio and debt service coverage ratio stood at 8.60 times and 1.62 times in FY2024 respectively as against 38.07 times and 4.27 times in FY2023 respectively. TOL/TNW (Total outside liabilities/Total net worth) stood at 0.69 times and 0.76 times in FY2024 and FY2023 respectively. The debt to EBITDA of the company stood at 3.40 times as on March 31, 2024, as against 1.93 times as on March 31, 2023. SML has loans from foreign banks of Rs245.55 crore outstanding as on 31st March, 2024.

#### Efficient working capital management

SML's working capital operations are efficient with from Gross Current Asset (GCA) at 70 days in FY2024. Higher GCA days are due to increase in other current assets in the form of short term loans and advances given to unrelated parties for business purpose. Inventory days stood at 22 days in FY2024 as against 27 days in FY2023. Subsequently, days payable outstanding stood at 54 days in FY2024 as against 63 days in FY2023 respectively. Supply of raw materials are LC backed- 45-60 days or in advance. Days sales outstanding stood at 38 days in FY2024.

### Weaknesses

#### Decline in margins with rise in revenues

The operating income in FY2024 has increased to Rs.1330.66 crore when compared to Rs.1223.41 crore in FY2023. Rise in revenue is firstly due to global changes in demand and supply which has stabilised. There was a dip in exports due to global slowdown in the industry and the dynamics changed in the European market due to geo-political issues. As a result, production cycles and consumption patterns were affected. Secondly, entry into the domestic market with increasing sales as a percentage of total sales. Moreover, in FY2024 due to improvement in the demand, SML has been able to increase their revenues. EBITDA margins have declined to 5.84 per cent in FY2024 against 14.18 per cent in FY2023, due to lower realisations as high prices could not be passed on to the customers. PAT margins declined to (3.25) per cent in FY2024 against 4.88 per cent in FY2023. Acuite believes that revenues of SML will improve with slightly improving margins due to better industry dynamics and demand for its products.

#### Susceptibility of profitability margins to fluctuations in prices of raw material and foreign exchange fluctuation

The basic raw materials required by SML such as polyester chips, plastic resins, granules and powder are crude oil derivatives. The prices of these commodities are subject to volatility in line with those of global crude oil prices. Further, as on date SML partly imports its raw material from Dubai, USA, and Africa, among others. Thus, it is exposed to adverse fluctuation in foreign currency exchange rates. However, SML generally enters into forward covers which partially mitigate the forex risk.

#### Cyclical and commoditized nature of industry

Packaging films industry is cyclical in nature with bouts of demand and supply mismatches. In case of supply overhangs, product realisations are impacted due to commoditized nature of industry. The industry has a tendency to add large capacities when prices improve leading to a situation of over-capacity vis-à-vis demand. This causes pressure on the margins of the industry players due to heightened competitive intensity and limited product differentiation.

### Rating Sensitivities

Significant and sustainable improvement in profitability margins and scale of operations while maintaining the capital structure

Elongation of working capital cycle impacting the liquidity profile

### Liquidity Position

#### Adequate

SML has adequate liquidity marked by net cash accruals of Rs.87.21 crore, while its maturing debt obligations were Rs. 50.16 Cr. during the same period for FY2024. The current ratio stood at 1.27 times in FY2024 and the limits (which are interchangeable between Fund based and non-fund based) remains utilized at 7% percent over the 8 months ended November 30, 2024. The company maintains unencumbered cash and bank balances of Rs.14.19 Cr. as on March 31, 2024, which contains free FD's worth Rs.10.13 crore. Acuite believes that the liquidity of the

company is likely to improve over the medium term.

**Outlook: Stable**

**Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	1330.66	1223.41
PAT	Rs. Cr.	(43.20)	59.74
PAT Margin	(%)	(3.25)	4.88
Total Debt/Tangible Net Worth	Times	0.45	0.48
PBDIT/Interest	Times	8.60	38.07

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

Not Applicable

## Any other information

None

## Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

## Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
27 Oct 2023	Cash Credit	Long Term	120.00	ACUITE A+   Stable (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE A+   Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE A+   Stable (Assigned)
	Cash Credit	Long Term	50.00	ACUITE A+   Stable (Reaffirmed)
	Cash Credit	Long Term	50.00	ACUITE A+   Stable (Assigned)
	Bank Guarantee (BLR)	Short Term	20.00	ACUITE A1+ (Reaffirmed)
	Letter of Credit	Short Term	45.00	ACUITE A1+ (Assigned)
03 Jan 2023	Cash Credit	Long Term	120.00	ACUITE A+   Stable (Reaffirmed)
	Cash Credit	Long Term	50.00	ACUITE A+   Stable (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	20.00	ACUITE A1+ (Reaffirmed)
	PC/PCFC	Short Term	25.00	ACUITE A1+ (Reaffirmed)
05 Oct 2021	Cash Credit	Long Term	50.00	ACUITE A+   Stable (Reaffirmed)
	Cash Credit	Long Term	120.00	ACUITE A+   Stable (Reaffirmed)
	PC/PCFC	Short Term	25.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	20.00	ACUITE A1+ (Reaffirmed)
24 Sep 2021	Cash Credit	Long Term	50.00	ACUITE A+   Stable (Reaffirmed)
	Cash Credit	Long Term	120.00	ACUITE A+   Stable (Reaffirmed)
	PC/PCFC	Short Term	25.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	20.00	ACUITE A1+ (Reaffirmed)
06 Sep 2021	Cash Credit	Long Term	120.00	ACUITE A+   Stable (Upgraded from ACUITE A   Stable)
	Cash Credit	Long Term	30.00	ACUITE A+   Stable (Assigned)
	Bank Guarantee/Letter of Guarantee	Short Term	20.00	ACUITE A1+ (Upgraded from ACUITE A1)
	Bills Discounting	Short Term	20.00	ACUITE A1+ (Assigned)
	PC/PCFC	Short Term	25.00	ACUITE A1+ (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE A1   Downgraded ( from ACUITE A1+ )
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE A   Stable   Downgraded ( from ACUITE A+ )
Axis Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	90.00	Simple	ACUITE A1   Downgraded ( from ACUITE A1+ )
CITI Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	75.00	Simple	ACUITE A1   Downgraded ( from ACUITE A1+ )
HDFC Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	120.00	Simple	ACUITE A1   Downgraded ( from ACUITE A1+ )
HDFC Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	85.00	Simple	ACUITE A1   Assigned

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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