

Press Release

Supreme Polymers

June 22, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 7.00 Cr.
Long Term Rating	ACUITE B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B** (read as ACUITE B)' on the Rs. 7.00 crore bank facilities of Supreme Polymers. The outlook is '**Stable**'.

Surat-Based, Supreme Polymers (SP) was established in December 2015 as a proprietorship by Mr. Vikas Garg. Further the commercial operations started in FY2016. The firm is engage into manufacturing of plastic pillars, used as a solvent to reduce the cost of manufacturing plastic products.

Key Rating Drivers

Strengths

- **Experienced management**

The promoter, Mr. Vikas Garg has experience of over a decade in the aforementioned business industry. Further the firm has booked revenue of Rs.18.14 crore in FY2018 (Provisional)

Weaknesses

- **Working Capital intensive & modest scale of operations:**

The operations are working capital intensive marked by Gross Current Asset (GCA) of 186 days in FY2017 as compared to 548 days in FY2016. Inventory days stood at 40 in FY2017 as compared to 128 in FY2016. The company had debtors outstanding of 138 days in FY2017 as against 339 days in FY2016. Further, the working capital cycle is supported by extended credit from suppliers as reflected in creditors of 53 days in FY2017 and 166 days in FY2016. Further the scale of operations of the company has been modest. The revenues have increased in FY2017 and stood at Rs. 9.76 crore compared to Rs. 1.96 crore in FY2016. The company has recorded revenues of Rs. 18.14 crore in FY2018 (Provisional).

- **Highly fragmented and competitive industry**

The chemical industry is highly fragmented with several organized and unorganized players. SP faces stiff competition from other players limiting the pricing flexibility of the company. Also, the presence of the company in Surat, Gujarat exposes it to high concentration risk with regards to the plastic industry.

Analytical Approach

ACUITE has considered standalone financial and business risk profile of the firm to arrive at the rating.

Outlook: Stable

ACUITE believes that Supreme Polymers will maintain a 'Stable' outlook over the medium term. The outlook may be revised to 'Positive' in case the company registers significant growth in revenue and profitability margin while effectively managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant decline in net cash accruals, deterioration in the financial risk profile owing to debt funded capex undertaken or higher than expected working capital borrowings.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	9.76	1.96	0.00
EBITDA	Rs. Cr.	0.33	0.15	0.00

PAT	Rs. Cr.	0.09	0.01	0.00
EBITDA Margin	(%)	3.40	7.60	0.00
PAT Margin	(%)	0.95	0.29	0.00
ROCE	(%)	9.91	3.95	0.00
Total Debt/Tangible Net Worth	Times	4.93	8.45	0.00
PBDIT/Interest	Times	2.10	3.16	0.00
Total Debt/PBDIT	Times	6.65	16.02	0.00
Gross Current Assets (Days)	Days	186	548	0

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

None

Any other information

Not Available

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE B / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.54	ACUITE B / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.46	ACUITE B / Stable

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About Acuité Ratings & Research:

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