

Press Release
SBL Colortech Private Limited

June 27, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 7.50 Cr.
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.7.50 crore bank facilities of SBL Colortech Private Limited.

Mumbai based SBL Colortech Private Limited (SCPL) was incorporated in 1993. The company promoted by Mr. Rakesh Lakhota and Mr. Akhilesh Lakhota is engaged in manufacturing and exporting colour dyes for textile, leather and paper applications.

Key Rating Drivers

Strengths

• Experienced management

The promoters, Mr. Rakesh Lakhota and Mr. Akhilesh Lakhota have the experience in the chemicals and dyes industry for more than decade. This long experience has helped them in developing good relations with reputed customers both in domestic as well as in international markets.

• Moderate financial risk profile

SCPL has moderate financial risk profile marked by tangible net worth of Rs. 7.76 crore as on 31 March, 2018 (Provisional) as against Rs. 1.31 crore as on 31 March, 2016 the increase in the net worth was mainly on account of increase in the equity share capital. The gearing stood at 1.41 times as on 31 March, 2018 (Provisional). The debt of Rs. 10.95 crore mainly consists of unsecured loans of Rs. 9.10 crore and working capital borrowings of Rs. 1.85 crore as on 31 March 2018 (Provisional). Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.32 times as on 31st March, 2018 (Provisional). Going forward, Acuité expects the financial risk profile to improve marginally in absence of major debt funded capex plans.

Weaknesses

• Modest Scale of operations marked by customer concentration risk

SCPL has recorded revenues of Rs. 23.90 crore in FY2017 as against Rs. 18.48 crore in FY2016 as against Rs. 23.52 crore in FY2015. Further in FY2018 (Provisional), the company has recorded revenues of Rs. 25.91 crore.

Further, the company is exposed to customer concentration risk as around 70 percent of its total sales for FY2018 has been derived from a single customer- Huntsman Limited.

• Working capital intensive operations

SCPL's operations are working capital intensive marked by high Gross Current Asset (GCA) of 207 days in FY2017 compared to 148 days in FY2016. The GCA days are mainly dominated by high debtor days of 99 days in FY2017 compared to 62 days in FY2016. Acuité believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

• **Competitive and fragmented industry**

SCPL operates in a highly competitive and fragmented industry characterized by large number of unorganized players affecting margins.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the SCPL to arrive at this rating.

About the Rated Entity - Key Financials

	Unit	FY18 (Prov.)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	25.91	23.90	18.48
EBITDA	Rs. Cr.	4.68	5.25	3.65
PAT	Rs. Cr.	2.94	3.45	2.25
EBITDA Margin	(%)	18.06	21.96	19.76
PAT Margin	(%)	11.36	14.43	12.16
ROCE	(%)	18.87	24.67	17.18
Total Debt/Tangible Net Worth	Times	1.41	12.38	(8.05)
PBDIT/Interest	Times	24.73	25.25	11.01
Total Debt/PBDIT	Times	2.32	3.09	4.70
Gross Current Assets (Days)	Days	207	148	160

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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. Crore)	Ratings/Outlook
EPC/PCFC	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE A4+
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4+
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	0.10	ACUITE A4+
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.90	ACUITE A4+

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About Acuité Ratings & Research:

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