

Press Release

Sibi Polymers

November 28, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 16.07 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) to the Rs. 16.07 crore bank facilities of Sibi Polymers (Sibi). The outlook is '**Stable**'.

Established in 1999, Sibi is a proprietary concern engaged in manufacture of PET plastic products. The entity manufactures wide variety of plastic products such as PET preforms, PET bottles, PET Jars and Caps. The entity is promoted by Mr. Subramanian. The entity has its unit located in Coimbatore (Tamil Nadu) with an installed capacity to manufacture 3600 tons of plastic products per annum.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Established Track record of operations and experienced management**

Sibi is promoted by Mr. Subramanian with around two decades of experience in the plastic industry. The entity was established in 1999 and was gradually expanded to the present day total capacity of 3600 Metric Tons Per Annum (TPA). Prior to incorporating Sibi, the promoter worked in his family owned entities engaged in plastic industry. Long vintage of operations with healthy client and supplier relations supported in revenue growth at a compound annual growth rate (CAGR) of about 28 percent over the past three years through FY2018 at revenues of RS.44.75 crore. Further, the growth is fueled by healthy off-take from Dairy and FMCG industry players. Sibi has reported revenues of Rs.38.00 crore in 7MFY2019.

To tap the business opportunity, Sibi has been continuously expanding the production capacity over the past three years to 3600 tpa; further, the firm is in the process of expanding the capacity by 2500 tpa, taking aggregate capacity to 6100 tpa. Acuité believes that the promoter's extensive experience and the burgeoning demand for the PET products are expected to improve the business risk profile of the company over the medium term.

- **Comfortable working capital operations**

Sibi has comfortable working capital operations as evident from Gross Current Assets (GCA) of 75 days as on March 31, 2018 as against 71 days as on March 31, 2017. The comfortable GCA days were mainly due to low inventory and moderate debtor levels. The inventory days are low at 14 days in FY2018. The company's debtor days stood at 54 days as on March 31, 2018 and provides credit period of up to 60 days to its customers. Comfortable working capital management has led to moderate utilisation of working capital limits over the past six months ended October 2018 to the extent of 75 percent. Acuité believes that the working capital operations of the firm will remain comfortable as evident from efficient collection mechanism and low inventory levels over the medium term.

Weaknesses

• **Modest scale of operations in the highly-fragmented packaging industry and volatile profitability**

Sibi's revenues are modest in the highly fragmented packaging industry. Its revenues are at Rs.44.75 crore in FY2018, though a significant improvement from Rs.21.11 crore in FY2016. However, the industry is dominated by several organised and unorganised players with healthy revenues. Also, due to commoditised nature of supplies, intense competition and reputed clientele, SIPL faces pricing flexibility, restricting any significant growth in its revenues and profitability margins. SIPL's revenues, though improved, margins remained volatile over the years under review in the range of 13 percent to 15 percent. Acuité believes that sustaining the profitability while improving its revenues are key rating sensitivity factors.

Outlook: Stable

Acuité believes that Sibi will maintain a 'Stable' outlook over the medium term from its promoter's industry experience. The outlook may be revised to 'Positive' in case of significant growth in its revenues while sustaining the profitability. Conversely, the outlook may be revised to 'Negative' in case of higher-than-expected debt-funded capital expenditure or any stretch in its working capital operations leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	44.75	26.17	21.11
EBITDA	Rs. Cr.	6.36	3.54	3.27
PAT	Rs. Cr.	3.18	1.61	1.65
EBITDA Margin	(%)	14.22	13.52	15.49
PAT Margin	(%)	7.10	6.16	7.81
ROCE	(%)	41.25	35.09	72.77
Total Debt/Tangible Net Worth	Times	0.79	0.45	0.46
PBDIT/Interest	Times	12.43	12.77	10.51
Total Debt/PBDIT	Times	1.15	0.77	0.67
Gross Current Assets (Days)	Days	75	71	63

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>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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	7.00	ACUITE BB+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.17	ACUITE BB+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	6.90	ACUITE BB+ / Stable

Contacts

Analytical	Rating Desk
Srihari Adari Head - Corporate and Infrastructure Sector Ratings Tel: 040-40042327 srihari.adari@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Sethu Madhav Analyst - Rating Operations Tel: 022-67141128 sethu.madhav@acuiteratings.in	

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.