

Press Release

Sibi Polymers

December 26, 2018

Rating Reaffirmed and Assigned



Total Bank Facilities Rated*	Rs. 17.50 Cr. (Enhanced from Rs 16.07 Cr.)
Long Term Rating	ACUITE BB+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) to the Rs.16.07 crore bank facilities and assigned the long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) to the Rs.1.43 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. The products find use mainly in the packaging industry.

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 the revenue growth at a compound annual growth rate (CAGR) of about 28 percent over the past three years through FY2018 with 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 firm 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 were low at 14 in FY2018. The firm's debtor days stood at 54 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 stood 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, Sibi faces pricing flexibility, restricting any significant growth in its revenues and profitability margins. Sibi's revenue, though improved, margins remained volatile over the years under review in the range of 13 percent to 15 percent. Acuite believes that sustaining the profitability while improving its revenues are key rating sensitivity factors.

Outlook: Stable

Acuite 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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
28-Nov-2018	Cash Credit	Long Term	7.00	ACUITE BB+/Stable (Assigned)
	Term Loan	Long Term	2.17	ACUITE BB+/Stable (Assigned)
	Term Loan	Long Term	6.90	ACUITE BB+/Stable (Assigned)

*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 (Reaffirmed)
Term loans I	Not Applicable	Not Applicable	Not Applicable	2.17	ACUITE BB+ / Stable (Reaffirmed)
Term loans II	Not Applicable	Not Applicable	Not Applicable	0.59	ACUITE BB+ / Stable (Assigned)
Term loans III	Not Applicable	Not Applicable	Not Applicable	0.80	ACUITE BB+ / Stable (Assigned)
Term loans IV	Not Applicable	Not Applicable	Not Applicable	0.04	ACUITE BB+ / Stable (Assigned)
Term loans V	Not Applicable	Not Applicable	Not Applicable	6.90	ACUITE BB+ / Stable (Reaffirmed)

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About Acuité Ratings & Research:

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