

## Press Release

Shri Balaji Swami Minerals Private Limited

December 12, 2018



### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 7.50 Cr.
<b>Long Term Rating</b>	ACUITE B+ / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+** (read as **ACUITE B plus**) to the Rs. 7.50 crore bank facilities of Shri Balaji Swami Minerals Private Limited (SBSM). The outlook is '**Stable**'.

SBSM was established in 2009 by Mr. Girdhar Gopal Agarwal and Mr. Manju Garg. The operations commenced from July, 2016. The company is engaged in manufacturing of Polypropylene bags with an installed capacity of 2400 MTPA. The manufacturing facility is located at Ajmer district in Rajasthan. The company procures raw material of PP granules from HPCL and Reliance Industries Limited. The company caters to various industries such as cement, fertilizer and many more.

### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Shri Balaji Swami Minerals Private Limited to arrive at the rating.

### Key Rating Drivers

#### Strengths

- **Reputed customers**

The company is engaged in manufacturing of Polypropylene bags and it caters to cement industry players such as Shree Cement Limited and DNS Group, among others. Acuité believes that SBSM will sustain its existing business profile on the back of reputed clients.

- **Comfortable working capital nature of operation**

The comfortable working capital nature of operations is reflected in Gross Current Assets (GCA) of 80 days in FY 2017-18 as compare to 131 days in FY 2016-17. These GCA days are emanated from collection period of 34 days, inventory of 32 days and creditors of 18 days in FY2018. The company operations are expected to remain comfortable, as the company receives immediate payments from Shree Cement Limited and within 30 days from other customers in cement industry.

#### Weaknesses

- **Negative profit margin**

The company's operating margins (EBITDA) stood at 7.18 percent with net loss of 4.59 percent for FY2018 as compared to 7.29 percent with net loss of 13.32 percent for FY2017. The reason for low profitability is due to huge depreciation cost and interest cost by the company.

- **Margins are susceptible to fluctuations in raw material prices**

Major raw materials used in the manufacturing process are polymer resin, including PP, HDPE, and low-density polyethylene (LDPE), the prices of which are highly volatile and directly dependent on crude oil prices. Hence, the company is exposed to raw material price fluctuation risk.

#### **Outlook: Stable**

Acuité believes that SBSM will maintain a 'Stable' outlook over the medium term from improving revenues and reputed clients. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues while achieving sustained improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the revenues, or in case of deterioration in the company's financial risk profile.

### About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	20.98	10.00	0.00
EBITDA	Rs. Cr.	1.82	0.73	0.00
PAT	Rs. Cr.	0.01	-1.33	0.00
EBITDA Margin	(%)	8.68	7.29	0.00
PAT Margin	(%)	0.07	-13.32	0.00
ROCE	(%)	10.89	-19.04	-0.18
Total Debt/Tangible Net Worth	Times	1.53	1.45	0.24
PBDIT/Interest	Times	2.19	1.13	0.00
Total Debt/PBDIT	Times	3.59	8.55	-169.39
Gross Current Assets (Days)	Days	77	131	0

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

Not Applicable

### 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	2.00	ACUITE B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	5.50	ACUITE B+ / Stable

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**About Acuité Ratings & Research:**

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