

Press Release

Saurashtra Specialities Private Limited

December 19, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 12.75 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 minus**) to the Rs.12.75 crore bank facilities of Saurashtra Specialities Private Limited (SSPL). The outlook is '**Stable**'.

The Gujrat based, SSPL was initially established as 'Saurashtra Packaging' in 1960 by Mr. Shashikant Mehta and later got converted to private limited company in 2001. The company currently promoted by Mr. Sheetal Mehta and Mrs. Meera Mehta is engaged in the manufacturing of corrugated boards & boxes, wastepaper recycling machinery & equipment and manufacturing & marketing of modified starches & specialty chemicals for Paper industry.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of SSPL for arriving at the rating.

Key Rating Drivers

Strengths

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

The promoter, Mr. Sheetal Mehta is a second generation entrepreneur and has an experience of more than three decades in the paper and paper products industry. Mrs. Meera Mehta has an experience of more than two decades in the industry. Owing to the extensive experience of the promoters in the industry, the company has established healthy, long term relationships with a variety of reputed clients such as Amul diary, Indian Rayon, Reliance Industries, Nirma and various paper mills in and around Gujarat.

Acuité believes that the company will continue to benefit from its experienced management.

- **Moderate working capital cycle**

The working capital cycle of SSPL is moderate marked by Gross Current Assets (GCA) of 105 days in FY2018 as against 123 days in FY2017. The inventory holding period decreased to 42 days in FY2018 as against 45 days in FY2017. The receivable days are also comfortable at 54 days in FY2018 as against 69 days in FY2017. The average bank limit utilisation stood at 90 percent for the last six months ended November 2018.

Acuité believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Weaknesses

- **Competitive and fragmented industry**

SSPL operates in a highly fragmented industry with limited entry barriers wherein the presence of a large number of players in the unorganised sector limits its bargaining power with customers.

- **Moderate financial risk profile**

The financial risk profile of SSPL is moderate marked by low tangible net worth of Rs.7.29 crore as on 31 March, 2018 as against Rs.7.01 crore as on 31 March, 2017. The gearing deteriorated to 1.90 times as on 31 March, 2018 as against 1.69 times as on 31 March, 2017. The total debt of Rs.13.87 crore outstanding as on 31 March, 2018 comprises term loan of Rs.9.82 crore, working capital borrowing of Rs.2.75 crore and unsecured loans from the promoters of Rs.1.31 crore. Interest Coverage Ratio (ICR) stood at 1.82 times in FY2018 as against 2.11 times in FY2017. DSCR stood at 1.27 times in FY2018 as against 1.31 times in FY2017.

- **Moderate scale of operations marked by uneven operating income**

The revenues of SSPL have seen uneven trend from FY2015 to FY2018. The company has registered revenues of Rs.38.99 crore in FY2018 as against Rs.36.45 crore in FY2017 and Rs.37.99 crore in FY2016. The net margins have also declined to 0.81 percent for FY2018 from 1.12 percent for FY2017, mainly on account of increase in the finance cost.

Outlook: Stable

Acuité believes that SSPL will maintain a 'Stable' business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	38.99	36.45	37.99
EBITDA	Rs. Cr.	3.74	3.20	3.69
PAT	Rs. Cr.	0.32	0.41	0.09
EBITDA Margin (%)	(%)	9.59	8.77	9.71
PAT Margin (%)	(%)	0.81	1.12	0.24
ROCE (%)	(%)	13.58	10.58	11.73
Total Debt/Tangible Net Worth	Times	1.90	1.69	2.05
PBDIT/Interest	Times	1.82	2.11	1.99
Total Debt/PBDIT	Times	3.35	3.31	3.38
Gross Current Assets (Days)	Days	105	123	99

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>
- 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	3.00	ACUITE BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	7.40	ACUITE BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.35	ACUITE BB- / Stable

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About Acuité Ratings & Research:

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