# Press Release

**SUPERMINT EXPORT PRIVATE LIMITED**

February 01, 2019

**Rating Assigned**

| | |
|---|---|
| **Total Bank Facilities Rated*** | Rs. 28.20 Cr. |
| **Long Term Rating** | ACUITE BB / Outlook: Stable |
| **Short Term Rating** | ACUITE A4+ |

** Refer Annexure for details*

**Rating Rationale**

Acuité has assigned long-term rating of '**ACUITE BB**' **(read as ACUITE double B)** and short term rating of **'ACUITE A4+' (read as ACUITE A four plus)** to the Rs. 28.20 crore bank facilities of SUPERMINT EXPORT PRIVATE LIMITED (SEPL). The outlook is **'Stable'**.

Incorporated in 2008, SEPL is a Bareilly (Uttar Pradesh) based company engaged in manufacturing of turpentine oil and mentha oil-based various oils and chemicals. It is led by Managing Director, Mr. Sanjay Gupta and Directors, Mrs. Preeti Gupta, Mrs. Pushpa Gupta and Mr. Prakhar Rastogi. It caters to industries such as paint industry, pharmaceutical industry, home care products industry, perfumery industry and soap manufacturing, to name a few. It has its manufacturing unit in Panwaria (Uttar Pradesh) with capacity of 7000 metric tonne p.a. The company sells its products all over India and also exports the same to China, France, Spain and Australia.

### Analytical Approach

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

## Key Rating Drivers

### Strengths

- **Experienced management**

  SEPL was incorporated in 2008 under the leadership of its Managing director, Mr. Sanjay Gupta and directors, Mrs. Preeti Gupta, Mrs. Pushpa Gupta and Mr. Prakhar Rastogi who collectively possess extensive experience of more than three decades in chemical industry. The extensive experience of the promoters has led to established market presence of SEPL enabling it to build strong business ties with its suppliers and customers.

- **Steady growth in scale of operations**

  SEPL has reported operating income of Rs.95.53 crore in FY2018, which has grown from Rs.78.85 crore in FY2017 and Rs.80.13 crore in FY2016. This is mainly because of addition of new clients and increase in orders from existing clients. Profit after Tax (PAT) margin stood at 0.56 percent in FY2018 as against 0.44 percent in FY2017.

- **Moderate working capital operations**

  SEPL's working capital operations are moderate in nature marked by Gross Current Assets (GCA) of 153 days as on 31 March, 2018 as against 144 days as on 31 March, 2017. This is mainly due to high inventory which stood at 130 days as on 31 March, 2018 as against 126 days as on 31 March, 2017. This is because the company is entering into exports to various countries which demands to procure raw materials in bulk so that it is able to produced goods in higher quantity. Debtors were outstanding at 23 days as on 31 March, 2018 as against 17 days as on 31 March, 2017. However, the average utilisation of bank limits stood at ~75 to 80 percent for the last six months ending December, 2018.

### Weaknesses

- **Moderate financial risk profile**

SEPL's tangible net worth stood at Rs.21.41 crore as on 31 March, 2018 as against Rs.20.50 crore as on 31 March, 2017. This is mainly due to accretion of reserves and quasi equity, where quasi equity stood at Rs.9.96 crore. The gearing (debt to equity) deteriorated to 1.29 times as on 31 March, 2018 from 1.07 times as on 31 March, 2017. This is due to increase in short term debt to Rs.26.63 crore as on 31 March, 2018 from Rs.20.34 crore as on 31 March, 2017. The total debt of Rs.27.61 crore as on 31 March, 2018 comprises Rs.0.98 crore of long term loan and working capital borrowing of Rs.26.63 crore. SEPL's coverage indicators stood moderate with Interest Coverage Ratio (ICR) of 1.50 times in FY2018 as against 1.55 times in FY2017. Total outside Liability/Total Net Worth (TOL/TNW) stood at 1.53 times in FY2018 as compared to 1.22 times in FY2017. Acuité believes that the financial risk profile of the company will improve due to growth in scale of operations and net cash accruals.

- **Competitive and fragmented industry**

SEPL operates in a highly fragmented industry with limited entry barriers wherein the presence of large number of players in the unorganised sector limits the bargaining power with customers. The operating margins have been on a declining trend to 4.24 percent in FY2018 from 4.60 percent in FY2017 and 4.99 percent in FY2016.

### Liquidity Position

SEPL has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.1.22 to 1.26 crore during the last three years through 2016-18, while its maturing debt obligations were around Rs.0.29 crore over the same period. The cash accruals of the group are estimated to remain around Rs.1.68 – 2.71 crore during 2019-21 while their repayment obligations are estimated to be around Rs. 0.29 Crore. The company's working capital operations are moderate as marked by gross current asset (GCA) days of 153 in FY 2018. This has led to moderate reliance on working capital borrowings, the cash credit limit in the company remains utilized at 75 to 80 percent during the last 6 months period ended December 2018. The company maintains unencumbered cash and bank balances of Rs.0.16 crore as on March 31, 2018. The current ratio of the group stands at 1.26 times as on March 31, 2018. The company is likely to incur capex of Rs.2.50 crore over the medium which is likely to be funded by equity. Acuite believes that the liquidity of the company is likely to improve over the medium term on account of improving cash accrual and no major repayments over the medium term.

### Outlook: Stable

Acuité believes that SEPL will maintain a 'Stable' outlook over the medium term owing to the experienced management and moderate working capital operations. The outlook may be revised to 'Positive' in case the company registers higher than expected growth in revenues while achieving improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of steep decline in profitability, or deterioration in the working capital operations and financial risk profile.

### About the Rated Entity - Key Financials

| | Unit | FY18 (Actual) | FY17 (Actual) | FY16 (Actual) |
|---|---|---|---|---|
| Operating Income | Rs. Cr. | 95.53 | 78.85 | 80.13 |
| EBITDA | Rs. Cr. | 4.05 | 3.63 | 4.00 |
| PAT | Rs. Cr. | 0.53 | 0.34 | 0.35 |
| EBITDA Margin | (%) | 4.24 | 4.60 | 4.99 |
| PAT Margin | (%) | 0.56 | 0.44 | 0.44 |
| ROCE | (%) | 7.74 | 7.15 | 15.77 |
| Total Debt/Tangible Net Worth | Times | 1.29 | 1.07 | 1.01 |
| PBDIT/Interest | Times | 1.50 | 1.55 | 1.51 |
| Total Debt/PBDIT | Times | 6.53 | 5.82 | 4.95 |
| Gross Current Assets (Days) | Days | 153 | 144 | 127 |

## Any other information

CARE, vide its press release dated January 28, 2018 had denoted the rating of Supermint Exports Private Limited as 'CARE BB-; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

## 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 | 22.50 | ACUITE BB / Stable |
| Term loans | Not Applicable | Not Applicable | Not Applicable | 1.05 | ACUITE BB / Stable |
| Proposed Bank Facility | Not Applicable | Not Applicable | Not Applicable | 0.35 | ACUITE BB / Stable |
| Letter of credit | Not Applicable | Not Applicable | Not Applicable | 4.30 | ACUITE A4+ |

## Contacts


| Analytical | Rating Desk |
|---|---|
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**About Acuité Ratings & Research:**

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