

Press Release

SARK GENEX

D-U-N-S® Number: 67-548-3451

February 18, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 9.50 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs. 9.50 crore bank facilities of SARK GENEX. The outlook is '**Stable**'.

Sark Genex (SG) is a partnership firm established by Mr. Anil Selhi, Mr. Shaurya Selhi, Mrs. Radhika Khanna and Mr. Rajesh Khanna. It is engaged in the business of injection moulding and assembling. The firm was established in 2016 and is based at Baddi in Himachal Pradesh.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of SG to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced Management

The partners, Mr. Anil Selhi and Mr. Rajesh Khanna have been in the injection moulding and assembling business since 1988. The partners run 2 more firms that are into similar line of business and possess extensive experience. Acuite believes that extensive experience of the management will help the firm in business and client acquisition due to long term relations with customers and suppliers.

• Government support

The firm, if qualifies, will thereafter apply for a subsidy provided by the state government of Himachal Pradesh for setting up plants in Himachal Pradesh. If granted, the firm will avail a capital subsidy of 30 percent of the capital investment that they will be making. The firm expects to complete installation of the machinery and begin production by August 2019.

Weaknesses

• Project implementation and funding risk

SG is setting up an injection moulding unit at an estimated project cost of Rs.14.79 crore to be funded through promoters' contribution of Rs.6.93 crore and term loan from bank of Rs.7.86 crore. The company is yet to achieve financial closure for the debt portion of its project cost. The company has purchased the land and the building required for setting up the plant. The operations are likely to commence from August, 2019. Hence, the project is exposed to significant project implementation risk in case of time or cost overruns. Acuite believes that SG's credit performance over the medium term will be exposed to the moderate execution risk and its ability to generate cash flows to commensurate with its debt servicing obligations will be critical.

• Competitive industry and slowdown in demand

The company operates in a highly competitive moulding industry thereby putting pressure on capacity utilisation and pricing power. The performance of the company is linked to the plastic industry which is volatile and cyclical in nature.

Outlook: Stable

Acuite believes that SG will maintain a 'Stable' credit profile over the medium term on the back of experienced promoters. The outlook may be revised to 'Positive' if the firm stabilises operations as scheduled and exhibits an ability to generate cash flows commensurate as per its debt. Conversely, the outlook may be revised to 'Negative' in case of delay in commencement of commercial operations and slower than expected pick up in revenues affecting its debt servicing ability.

Liquidity Position

The firm is planning to begin commercial operations from August 2019. The partners have estimated the entire project to cost Rs.14.79 crore. They have contributed capital of Rs. 3.06 crore up to March 31, 2018 and will further be contributing additional capital of Rs. 3.87 crore towards the project. The remaining cost for the project is to be financed through the bank, which is yet to be sanctioned. Acuite believes that the partners will continue to fund the project until the production stabilizes.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	0.00	0.00	0.00
EBITDA	Rs. Cr.	0.00	0.00	0.00
PAT	Rs. Cr.	0.00	0.00	0.00
EBITDA Margin	(%)	0.00	0.00	0.00
PAT Margin	(%)	0.00	0.00	0.00
ROCE	(%)	0.00	0.00	0.00
Total Debt/Tangible Net Worth	Times	0.00	0.00	0.00
PBDIT/Interest	Times	0.00	0.00	0.00
Total Debt/PBDIT	Times	0.00	0.00	0.00
Gross Current Assets (Days)	Days	0	0	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>
- 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
Term loans	Not Applicable	Not Applicable	Not Applicable	7.86	ACUITE B+ / Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE B+ / Stable (Assigned)
Proposed	Not Applicable	Not Applicable	Not Applicable	0.14	ACUITE B+ / Stable (Assigned)

Contacts

Analytical	Rating Desk
<p>Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuите.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuите.in</p>
<p>Viren Rangparia Analyst - Rating Operations Tel: 02249294053 viren.rangparia@acuiteratings.in</p>	

About Acuite Ratings & Research:

Acuite 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 Acuite 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. Acuite 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, Acuite, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuite 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. Acuite 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 Acuite.