

Press Release

Sarvesh Multi Plast India Private Limited

March 04, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (**read as ACUITE A three**) to the Rs. 15.00 crore bank facilities of Sarvesh Multi Plast India Private Limited (SMPL). The outlook is '**Stable**'.

Chennai based, SMPL was established in 2009 by Mr. Govindswamy. The company is engaged in manufacture of building construction materials such as UPVC door and window profiles and PVC bathroom doors, among others.

Analytical Approach

Acuité has considered standalone financials of SMPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record and experienced promoters**

SMPL is engaged in manufacture of UPVC building materials. The promoter has around two decades of experience in manufacture of PVC and other building materials. His vast experience in the industry has helped him develop new products at competitive rates. Further, the company has a track record of a decade, during which they have establish long term relations with customers and suppliers. Acuité believes that the company's track record and promoter's experience will sustain its business in the medium term.

- **Moderate financial risk profile**

SMPL has a comfortable financial risk profile marked by modest net worth base of Rs. 11.58 crore as on 31 March, 2018 as against Rs.8.90 crore as on 31 March, 2017. The gearing stood at 0.93 times as on 31 March, 2018 as against 1.19 times as on 31 March, 2017. The debt of Rs.10.72 crore mainly consists of term loan of Rs.6.59 crore, unsecured loan of Rs.0.87 crore and working capital borrowing of Rs.3.26 crore as on 31 March, 2018. Interest Coverage Ratio (ICR) stood healthy at 7.00 times for FY2018 as against 4.64 times in FY2017. Debt Service Coverage Ratio (DSCR) stood at 2.30 times for FY2018 as against 1.58 times in FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.90 times as on 31 March, 2018 as against 1.82 times as on 31 March, 2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.51 times as on 31 March, 2018 as against 0.31 times as on 31 March, 2017.

Going forward, Acuité expects the financial risk profile to improve marginally in the absence of major debt funded capex plans.

- **Healthy profitability and revenue growth**

The revenues of the company has increased at a CAGR of 38 percent (FY16 -18), the company registered revenue of Rs.54.48 crore in FY2018 as against Rs.36.37 crore in FY2017. The major reason for increase in revenue was addition of new customers. The company has been continuously adding new products and designs in its portfolio so as to cater to the demand and changing preferences.

• Comfortable working capital cycle

The working capital cycle of SMPL is comfortable at 95 days in FY2018 as against 111 days in FY2017. The inventory holding period decreased to 51 days in FY2018 from 71 days in FY2017. The receivable days are also comfortable at 36 days in FY2018 as against 28 days in FY2017. The average bank limit utilisation stood at ~90 percent for the last six months ended October 2018. Acuité believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Weaknesses

Susceptibility to volatility in raw material prices

Profitability of the company is dependent on the prices of PVC, which is volatile due to movements in the international prices of PVC and its raw materials including EDC, ethylene, and VCM.

Competitive and fragmented industry

SMPL operates in a highly competitive and fragmented industry characterised by large number of unorganised players affecting margins.

Liquidity Position

SMPL has healthy liquidity profile marked by net cash accruals of about Rs.12.00 crore during FY2016-18. The company had long term debt obligations of Rs.1.95 crore in FY2018. The cash accruals are estimated to remain between Rs.6.00 – 10.00 crore in the near to medium term, while its repayment obligations are estimated to be ~Rs.1.75 to 1.50 crore in the medium term, as the company is not expected to undertake debt funded capital expenditure in the short term. The working capital operations are comfortable as marked by Gross Current Asset (GCA) days of 95 in FY2018. The company had unencumbered cash and bank balances of Rs.0.33 crore as on March 31, 2018. The current ratio of the company declined to 0.92 times as on March 31, 2018. Acuité believes that the liquidity of the company is likely to remain healthy over the medium term on account of modest cash flows from operations and comfortable GCA days over the medium term.

Outlook: Stable

Acuité believes that SMPL will maintain a 'Stable' business risk profile over the medium term as 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.	54.48	36.37	28.49
EBITDA	Rs. Cr.	7.87	5.00	4.99
PAT	Rs. Cr.	2.68	1.44	1.13
EBITDA Margin	(%)	14.44	13.75	17.53
PAT Margin	(%)	4.92	3.97	3.96
ROCE	(%)	24.12	17.09	33.75
Total Debt/Tangible Net Worth	Times	0.93	1.19	1.43
PBDIT/Interest	Times	7.00	4.64	3.71
Total Debt/PBDIT	Times	1.36	2.10	2.10
Gross Current Assets (Days)	Days	95	111	94

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

Not Applicable

Any other information

Not Applicable

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	3.25	ACUITE BBB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	3.90	ACUITE BBB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.80	ACUITE BBB- / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A3
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	5.42	ACUITE BBB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.63	ACUITE BBB- / Stable

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About Acuité Ratings & Research:

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