

Press Release
Surplus Plastics Private Limited
 August 29, 2019
Rating Assigned



Total Bank Facilities Rated*	Rs. 7.00 crore
Long Term Rating	ACUITE B/ Outlook: Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' (**read as ACUITE B**) on the Rs. 7.00 crore bank facilities of SURPLUS PLASTICS PRIVATE LIMITED (SPPL). The outlook is '**Stable**'.

Uttar Pradesh-based, Surplus Plastics Private Limited (SPPL) was incorporated in 2014 by Ms. Upma Agarwal, Mr. Pratik Rungta, Ms. Radha Rungta and Mr. Ram Gopal Rungta. The company is engaged in the manufacturing of plastic chairs with an installed capacity of 660 MT and other plastic products such as buckets, stools and tubs, to name a few with an installed capacity of 450 MT.

Analytical Approach

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

Key Rating Drivers

Strengths

• **Steady growth in revenue and profitability**

SPPL has recorded revenues of Rs. 5.75 crores (Provisional) in FY2019 as against Rs. 2.68 crore in FY2018. The improvement in revenues are on account of entering into new segments such as buckets, stools and tubs. The company's operating profitability margins stood healthy at about 13.53 per cent in FY2019 (Provisional). Acuité believes that the revenues and profits are expected to improve as the company is planning to expand further by exploring new segments.

• **Moderate financial risk profile**

The company has healthy financial risk profile marked by healthy debt protection metrics. The net worth of the company stood at Rs. 4.14 crore as on March 31, 2019 (Provisional) as against Rs. 3.80 crore as on March 31, 2018. Gearing (debt-to-equity) stood healthy at 0.78 times as on March 31, 2019 (Provisional) as against 0.51 times as on March 31, 2018. Further, the interest coverage ratio stood at 2.54 times for FY2019 (Provisional) as compared to 2.36 times for FY2018. Total outside liabilities to total net worth (TOL/TNW) stood healthy at 1.05 times as on March 31, 2019 (Provisional) as against 0.82 times as on March 31, 2018. Acuité believes that financial risk profile of the company is likely to remain moderate over the medium term on account of debt protection metrics.

Weaknesses

• **Small scale of operations**

SPPL has modest scale of operations with its operating income of Rs. 5.75 crore for FY2019 (Provisional) as compared to Rs. 2.68 crore for FY2018. Acuité believes that the company's ability to improve its scalability will remain a key rating sensitivity.

• **Working capital intensive operations**

The company has working capital intensive nature of operations marked by gross current assets (GCA) of 175 days in FY2019 (Provisional) as compared to 309 days in FY2018. This is on account of debtors' collection period of 58 days in FY2019 (Provisional) as against 58 days in FY2018 and inventory holding period of 125 days in FY2019 (Provisional) as against 230 days in FY2018. The average cash credit utilization for the past six

months stood at ~85 per cent. Acuité believes that the working capital operations of the company will continue to remain intensive on account of level of inventory to be maintained and the credit given to its customers.

Liquidity position

The company has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 0.45 crore for FY2019 (Provisional), while its maturing debt obligations were Rs. 0.41 crore for the same period. The cash accruals of the company are estimated to remain around Rs. 0.58 crore to Rs. 0.90 crore during 2020-22 against repayment obligations of around Rs. 0.53 crore. The company's working capital operations are intensive marked by gross current asset (GCA) days of 175 days for FY2019 (Provisional). The company maintains unencumbered cash and bank balances of Rs. 0.03 crore as on 31 March, 2019 (Provisional). The current ratio stood at 1.06 times as on 31 March, 2019 (Provisional). Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accruals against debt repayments over the medium term.

Outlook: Stable

Acuité believes that SPPL will maintain a 'Stable' outlook over the medium term on the back of its experienced management and healthy financial risk profile. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in its revenue and profitability, while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	5.75	2.68	1.80
EBITDA	Rs. Cr.	0.78	0.54	0.63
PAT	Rs. Cr.	0.09	0.03	(0.06)
EBITDA Margin	(%)	13.53	20.22	34.66
PAT Margin	(%)	1.63	1.08	(3.08)
ROCE	(%)	6.24	4.75	6.26
Total Debt/Tangible Net Worth	Times	0.78	0.51	0.80
PBDIT/Interest	Times	2.54	2.36	1.84
Total Debt/PBDIT	Times	4.16	3.57	3.87
Gross Current Assets (Days)	Days	175	309	443

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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 (Up to 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	1.50	ACUITE B/ Stable (Assigned)
Term Loan-I	Not Applicable	Not Applicable	Not Applicable	1.39	ACUITE B/ Stable (Assigned)
Term Loan-II	Not Applicable	Not Applicable	Not Applicable	1.60	ACUITE B/ Stable (Assigned)
Proposed Banking Facilities	Not Applicable	Not Applicable	Not Applicable	2.51	ACUITE B/ Stable (Assigned)

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About Acuité Ratings & Research:

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