Press Release

Supershine Abs Platers Private Limited

September 03, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs. 13.85 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)** on the Rs. 13.85 crore bank facilities of SUPERSHINE ABS PLATERS PRIVATE LIMITED. The outlook is **'Stable'**.

Mumbai-based, Supershine ABS Platers Private Limited (SAPL) was incorporated in 2004 by Mr. Suresh M. Shah. The company is engaged in surface finishing on various ABS (Acrylonitrile Butadiene Styrene) plastics and metals including electroplating of various pen parts, automobile parts and household articles. Also, the company has recently started manufacturing of metal parts (molding) with electroplating services. The new manufacturing unit is located in Tarapur (Maharashtra). The total installed capacity of the molding unit is ~110 crore sq. inch per annum and of plating unit is ~126 crore sq. inch per annum (increased from 16 crore sq. inch per annum).

Analytical Approach

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

Key Rating Drivers

Strengths

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

SAPL was incorporated in 2004 as a private limited company by Mr. Suresh M. Shah. Thus, the company has an operational track record of over a decade in electroplating industry. The directors of the company, Mr. Suresh M. Shah and Mrs. Ranjan S. Shah, have an experience of around three decades in the aforementioned line of business. The long track record of operations and experience of management have helped the company maintain healthy relations with its customers and suppliers. Acuité believes that SAPL will sustain its existing business profile on the back of established track record of operations and experienced management.

- **Reputed clientele**

The company caters to reputed clientele such as Polyplastics Industries (India) Private Limited (PIPL), BIC-Cello Exports Private Limited (BCEPL), Linc Pen & Plastics Limited. (LPPL), G.M. Pens International Private Limited (GMPI) and HUF India Private Limited (HUF) among others. However, ~49 per cent of revenue in FY2019 (Provisional) was generated from single customer (i.e. PIPL).

Weaknesses

- **Modest scale of operations**

The operating income of the company has grown at a CAGR of 83 per cent for the period FY2017-FY2019 (Provisional). The revenues increased to Rs. 15.21 crore in FY2019 (Provisional) from Rs. 9.67 crore in FY2018 and Rs. 4.56 crore in FY2017. Further, Acuité expects the revenue to grow at a steady rate in medium to long term on account of capex done in FY2019 by increasing the installed capacity and starting manufacturing of metal parts along with electroplating services.

- **Moderate working capital operations**

The company has moderate working capital operations marked by Gross Current Assets (GCA) of 130 days for FY2019 (Provisional) as against 308 days for FY2018. This is mainly due to debtor days which stood at 60 days for FY2019 (Provisional) as against 102 days for FY2018. The inventory level stood at 25 days for FY2019 (Provisional) as against 13 days for FY2018. Further, the average bank limit utilization stood at ~72.86 per cent for past six months ended July 2019. Acuité believes that the company's ability to maintain its working capital efficiently will remain a key to maintain stable credit profile.

- **Average financial risk profile**

The financial risk profile of the company stood average marked by average net worth, debt protection metrics and coverage indicators. The net worth of SAPL stood at Rs. 10.08 crore (includes quasi equity of Rs. 4.58 crore) as on 31 March, 2019 (Provisional) as against Rs. 6.10 crore (includes Rs. 1.24 crore of quasi equity) as on 31 March, 2018. The gearing (debt-equity) stood at 2.05 times as on 31 March, 2019 (Provisional) as against 1.66 times as on 31 March, 2018. The total debt of Rs. 20.68 crore as on 31 March, 2019 (Provisional) comprises of Rs. 1.46 crore of working capital borrowings and Rs. 19.22 crore of long term debt. The coverage indicators stood average marked by Interest Coverage Ratio (ICR) which stood at 2.23 times for FY2019 (Provisional) as against 2.51 times for FY2018. Further, Debt to EBITDA stood high at 11.46 times in FY2019 (Provisional) as against 4.46 times in FY2018. This is mainly due to major debt funded capex done in FY2019. Acuité believes that the financial risk profile of the company is expected to remain average backed by average net cash accruals and in absence of any major debt funded capex in near to medium term.

Liquidity Position

SAPL has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 0.76 crore for FY2019 (Provisional) against Rs. 0.47 crore maturing debt obligations for the same period. The cash accruals of the company are estimated to increase and remain in the range of around Rs. 6.00 crore to Rs. 13.00 crore during 2020-22 against debt obligation of ~Rs. 2.20 crore to Rs. 3.00 crore for the same period. The company has moderate working capital operations as marked by GCA days of 130 days for FY2019 (Provisional). The company maintains unencumbered cash and bank balances of Rs. 0.02 crore as on March 31, 2019 (Provisional). The current ratio stood at 0.90 times as on March 31, 2019 (Provisional). Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of adequate cash accruals to its maturing debt obligation.

Outlook: Stable

Acuité believes that the company will maintain a 'Stable' outlook over the medium term on the back of its established track record of operations, experienced management and reputed clientele. The outlook may be revised to 'Positive' in case the company registers higher- than-expected growth in its revenues and profitability, while maintaining 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.	15.21	9.67	4.56
EBITDA	Rs. Cr.	1.80	1.46	0.56
PAT	Rs. Cr.	0.64	1.04	0.15
EBITDA Margin	(%)	11.86	15.14	12.25
PAT Margin	(%)	4.21	10.71	3.28
ROCE	(%)	7.17	15.99	9.77
Total Debt/Tangible Net Worth	Times	2.05	1.66	1.84
PBDIT/Interest	Times	2.23	2.51	1.72
Total Debt/PBDIT	Times	11.46	4.46	12.63
Gross Current Assets (Days)	Days	130	308	258

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

Not applicable

Any other information

None

Applicable Criteria
- Default Recognition - https://www.acuite.in/view-rating-criteria-17.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-4.htm
- Entities in Service Sector- http://acuite.in/view-rating-criteria-8.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	2.00	ACUITE BB- / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	11.85	ACUITE BB- / Stable (Assigned)

Contacts

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About Acuité Ratings & Research:
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