

Sindhiya Plastic Industries: Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	4.25	SMERA B/Stable (Assigned)
Term Loan I	0.42	SMERA B/Stable (Assigned)
Term Loan II	0.01	SMERA B/Stable (Assigned)
Term Loan III	0.10	SMERA B/Stable (Assigned)
Term Loan IV	0.12	SMERA B/Stable (Assigned)
Letter of Guarantee/Bank Guarantee	1.00	SMERA A4 (Assigned)

SMERA has assigned long term rating of **'SMERA B' (read as SMERA B)** and short term rating of **'SMERA A4' (read as SMERA A four)** to the above mentioned bank facilities of Sindhiya Plastic Industries (SPI). The outlook is **'Stable'**. The ratings draws comfort from the experienced management and the firm's improving scale of operations. However, the ratings are constrained by the declining profit margins on account of susceptibility to raw material prices, below average financial risk profile and limited operational track record.

SPI, established as a proprietorship concern in 2010, is engaged in the manufacture and trading of plastic chairs at Coimbatore. The day-to-day operations of the firm are managed by Mr. Suresh Sankar, CEO who has around a decades experience in the same line of business. SPI operates on a small scale. However, it has registered good growth during the period under study. The revenues of the firm have increased from Rs.7.55 crore in FY2013-14 to Rs.13.37 crore in FY2014-15. Further, as per provisional financials for FY2015-16, the firm has booked revenue of Rs.16.51 crore.

SPI's operating margins have declined during the period under study from 17.04 per cent in FY2012-13 to 7.17 per cent in FY2014-15. The same stood at 10.44 per cent (provisional) in FY2015-16. Further, the margins are also susceptible to volatility of raw material prices viz. plastic granules. The financial risk profile of the firm is moderate marked by gearing of 3.79 times as on March 31, 2015 and 7.37 times as on March 31, 2016 on account of low net worth position. The net worth stood at Rs.1.12 crore as on March 31, 2015 and Rs.1.13 crore as on March 31, 2016 (provisional). The interest coverage ratio has been moderate at 1.95 times in FY2014-15 and 1.92 times in FY2015-16 (provisional).

Rating Sensitivity Factors

- Scaling up operations while maintaining profit margins
- Efficient working capital management
- Improving the capital structure

Outlook-Stable

SMERA believes that SPI will maintain a stable outlook over the medium term and continue to benefit from its experienced management and association with its reputed clientele. The outlook may be revised to 'Positive' if the firm improves its financial risk profile and scale of operations. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in the financial risk profile and lower than expected profit margins.

Criteria applied to arrive at the rating:

- Manufacturing Entities

About the Firm

SPI is a proprietorship concern established in 2010 by Mrs. Sindhiya. The firm is engaged in the manufacturing and trading of plastic chairs in Coimbatore. The day-to-day operations are managed by Mr. Suresh Sankar, CEO.

For FY2014–15, SPI reported net profit of Rs.0.02 crore on operating income of Rs.13.37 crore, as compared with profit after tax (PAT) of Rs.0.01 crore on operating income of Rs.7.58 crore in FY2013–14. Further, as per provisional financials for FY2015–16, SPI reported net profit of Rs.0.21 crore on operating income of Rs.16.51 crore.

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ABOUT SMERA

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