

Press Release

SIDH MASTERBATCHES PRIVATE LIMITED

December 15, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 9.00 Cr.
Long Term Rating	SMERA BB+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB+**' (**read as SMERA BB plus**) on the Rs. 9.00 crore bank facilities of SIDH MASTERBATCHES PRIVATE LIMITED. The outlook is '**Stable**'.

Sidh Masterbatches Private Limited (SMPL) established in 1999 by Mr. Vijay Kumar is engaged in the manufacturing of masterbatches (white, black, colour, additive and filler) at Faridabad. The installed capacity stands at 47.50 lakh kgs per annum (Faridabad).

Key Rating Drivers

Strengths

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

SMPL was incorporated in 1999 by Mr. Vijay Kumar, (Managing Director) who possesses more than a decades experience in the industry. Other Directors include Ms. Suman Lata Gupta and Mr. Siddharth Gupta. SMERA believes that, SMPL will benefit from its experienced management and long track record of operations.

• **Improvement in margins Y-O-Y**

The profitability margin improved Y-o-Y. The EBITDA margin improved to 8.04 percent for FY2017 as against 7.64 percent for FY2016 and 6.56 percent for FY2015. The improvement in margin is due to decrease in the employee and manufacturing cost. Further, PAT margins also improved to 3.50 percent for FY2017 from 2.79 percent for FY2016 and 1.94 percent for FY2015.

• **Moderate financial risk profile**

The financial risk profile is moderate marked by net worth of Rs. 8.34 crore as on 31 March, 2017 as against Rs. 7.22 crore in the previous year. The gearing stood at a comfortable 0.58 times as on 31 March, 2017 as against 0.50 times as on 31 March, 2016. The total debt includes Rs. 0.68 crore of long term loans and Rs. 4.19 crore of working capital loans as on 31 March, 2017. Further, on account of improvement in operating margins, the interest coverage ratio stood healthy at 8.75 times for FY2017 as against 4.47 times in the previous year. The Debt Service Coverage Ratio (DSCR) has been healthy at 6.77 times for FY2017 and 3.77 times for FY2016. The Net Cash Accruals (NCA) have been healthy at Rs. 2.01 crore for FY2017 as against debt obligations of Rs. 0.35 crore. The NCA/TD stood at 0.41 times for FY2017 as against 0.43 times for FY2016.

• **Established relations with customers and suppliers**

SMPL benefits from its established relations with customers and suppliers. It caters to a reputed client base including Xpro India Limited, Amber Enterprises (I) Pvt. Limited, A.G. Industries Pvt. Limited among others. The company sells its products through local dealers in India and exports its products to Algeria, Japan, Sri Lanka, Japan, Ethiopia Canada and other countries. SMPL top three suppliers are Reliance Industries Limited, Bajaj Rubber Company Pvt. Limited and Bharat Solvent & Chemicals Private Limited. The company has been dealing with them for around two decades.

• **Comfortable working capital cycle**

The working capital cycle is comfortable at 45 days for FY2017 as against 31 days in FY2016. The debtors stood at 70 days, inventory days at 28 days and Gross Current Assets (GCA) days at 123 days for FY2017.

Weaknesses

- **Moderate scale of operations, uneven revenue trend**

Despite operations commencing in 1999, the scale is moderate marked by revenue of Rs. 37.55 crore in FY2017, Rs. 32.87 crore in FY2016 and Rs. 35.04 crore in FY2015. Further, the uneven trend in operating income was due to a stagnant domestic market.

- **Intense competition, fluctuations in raw material prices**

SMPL operates in a highly competitive industry with a large number of organised and unorganised players. Further, margins are susceptible to fluctuations in raw material prices as polymers, additives and pigments are derived from crude.

- **Foreign currency fluctuation risk**

The profit margins are also exposed to forex fluctuation risk as the company imports 50 percent of its raw material requirements. The company has no hedging policy in place.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company to arrive at the rating.

Outlook: Stable

SMERA believes that SMPL will maintain a Stable outlook over the medium term owing to the extensive experience of its promoters. The outlook may be revised to 'Positive' in case the company registers substantial increase in profitability margins supported by healthy revenue growth. Conversely, the outlook may be revised to 'Negative' in case of sharp decline in profitability margins or significant deterioration in the financial risk profile due to debt-funded capex or elongated working capital cycle.

About the Rated Entity - Key Financials

For FY2016-17, SMPL reported Profit after Tax (PAT) of Rs. 1.31 crore on total operating income of Rs. 37.55 crore compared with PAT of Rs 0.92 crore on total operating income of Rs. 32.87 crore for FY2016. The tangible net worth stood at Rs. 8.34 crore for FY2017 as against Rs.7.22 crore in the previous year.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.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	0.38	SMERA BB+ / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.50	SMERA BB+ / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.12	SMERA BB+ / Stable

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in
Naveen Papisetty Analyst - Rating Operations Tel: 022-67141148 naveen.papisetty@smera.in	.

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

Disclaimer: A SMERA 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. SMERA 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, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA 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. SMERA 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.smera.in) for the latest information on any instrument rated by SMERA.