

Press Release

Sidh Masterbatches Private Limited

January 02, 2019



Rating Withdrawn

Total Instruments Rated*	Rs. 9.00 Cr.
Long Term Rating	ACUITE BB+ (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has withdrawn the long term rating of '**ACUITE BB+** (read as ACUITE double B plus)' to the Rs. 9.00 crore bank facilities of Sidh Masterbatches Private Limited (SMPL).

The rating withdrawal is in accordance with Acuité's policy on withdrawal of rating. The rating is being withdrawn on account of request received from the company.

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

Analytical Approach

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

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 decade's experience in the plastic industry. Other Directors include Ms. Suman Lata Gupta and Mr. Siddharth Gupta.

Acuité 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 8.40 percent for FY2018 as against 8.04 percent for FY2017 and 7.64 percent for FY2016. The improvement in margin is due to decrease in raw material costs. Further, PAT margins also improved to 4.15 percent for FY2018 from 3.50 percent for FY2017 and 2.79 percent for FY2016. **Moderate financial risk profile**

The financial risk profile is moderate marked by net worth of Rs. 9.85 crore as on 31 March, 2018 as against Rs. 8.34 crore in the previous year. The gearing stood low at 0.37 times as on 31 March, 2018 as against 0.58 times as on 31 March, 2017. The total debt of Rs. 3.69 crore includes Rs. 0.14 crore of long term loan, Rs. 0.50 crore unsecured loans from promoters and Rs. 3.05 crore of working capital loan as on 31 March, 2018. Interest Coverage Ratio (ICR) remained healthy at 7.17 times for FY2018 as against 8.75 times in the previous year. Debt Service Coverage Ratio (DSCR) stood at 3.37 times for FY2018 as against 6.77 times for FY2017.

Weaknesses

- **Moderate scale of operations**

Despite operations commencing in 1999, the scale of operations is moderate marked by operating income of Rs. 41.15 crore in FY2018, Rs. 37.55 crore in FY2017 and Rs. 32.87 crore in FY2016.

- **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.

About the Rated Entity Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	41.15	37.55	32.87
EBITDA	Rs. Cr.	3.46	3.02	2.51
PAT	Rs. Cr.	1.71	1.31	0.92
EBITDA Margin	(%)	8.40	8.04	7.64
PAT Margin	(%)	4.15	3.50	2.79
ROCE	(%)	21.53	19.64	16.37
Total Debt/Tangible Net Worth	Times	0.37	0.58	0.50
PBDIT/Interest	Times	7.17	8.75	4.47
Total Debt/PBDIT	Times	1.05	1.60	1.45
Gross Current Assets (Days)	Days	128	123	118

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

None

Any other information

Not Applicable

Applicable Criteria

- Manufacturing entities: <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-17.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument /Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
15-Dec-2017	Term loans	Long Term	0.38	ACUITE BB+/Stable (Assigned)
	Cash credit	Long Term	8.50	ACUITE BB+/Stable (Assigned)
	Proposed cash credit	Long Term	0.12	ACUITE BB+/Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	0.38	ACUITE BB+ (Withdrawn)
Cash credit	Not Applicable	Not Applicable	Not Applicable	8.50	ACUITE BB+ (Withdrawn)
Proposed	Not Applicable	Not Applicable	Not Applicable	0.12	ACUITE BB+ (Withdrawn)

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About Acuité Ratings & Research:

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