# Shree Pla Private Limited

# (SPPL)

Rating Rationale

<u>**October 16, 2013**</u>

| Facilities | Amount (Rs. Crore) | Ratings |
|---|---|---|
| **Cash Credit** | **3.25** | **SMERA C/Assigned** |
| **Term Loan** | **1.65** | **SMERA C/Assigned** |
| **Inland Letter of Credit** | **1.50** | **SMERA A4/Assigned** |

SMERA has assigned ratings of **'SMERA C' (read as SMERA C)** to the Rs.4.90 crore long-term facilities (fund based) and **'SMERA A4' (read as SMERA A Four)** to the Rs.1.50 crore short-term facility (non-fund based) of Shree Pla Private Limited (SPPL). The ratings are constrained by the company's high leverage, weak debt protection metrics, stretched liquidity position and low profitability. The ratings are also constrained by the company's small scale of operations in a highly competitive packaging industry and exposure to raw material price volatility. However, the ratings are supported by the company's experienced management and long-standing relationships with customers.

SPPL is engaged in manufacturing of polyethylene packaging products. The company is also involved in trading of plastic granules. SPPL is highly dependent on corporate borrowings, which are used to fund the company's incremental working capital requirements. SPPL's overall leverage is thus high at 9.69 times as on March 31, 2013. Moreover, the company's debt protection metrics are weak with low net cash accruals of Rs.0.53 crore and weak cash DSCR at 0.14 times in FY2012–13 (refers to financial year, April 01 to March 31). SPPL has a stretched liquidity position with average working capital limit utilisation of 91.95 per cent over the six months ended August 2013. The company's collection period is stretched at about 95 days in FY2012–13 on account of weak bargaining power with customers.

SPPL's profitability is constrained by the intense competition prevalent in the packaging industry. The company's net profit margin declined from 1.64 per cent in FY2010–11 to 0.68 per cent in FY2012–13 on account of high interest cost and increased focus on trading activity. SPPL's profitability is also constrained by raw material price volatility and limited bargaining power with suppliers. The company's main inputs include plastic granules (manufactured from crude oil derivatives), which are sourced from large entities such as Reliance Industries Limited and GAIL.

SPPL has a relatively small scale of operations with revenues of Rs.25.85 crore in FY2012–13. The company's trading operations account for about 46.12 per cent of the total sales in FY2012–13.

SPPL incurred capital expenditure during FY2011–12 to increase the installed production capacity from 100 MTPA to 325 MTPA. Subsequently, the company registered 165 per cent increase in revenues in FY2012–13.

SPPL benefits from a diversified customer profile. The company caters to more than 200 customers across various industries including food products, auto ancillary, pharmaceuticals and textiles. SPPL has an experienced management team. Mr. S. Jayakumar, Managing Director of SPPL, has over two decades of experience in the packaging industry.

**About the company**

SPPL was incorporated in 2006 to acquire the business of Shree Pla Industries — a proprietorship concern promoted by Mr. S. Jayakumar in 1994. SPPL is engaged in manufacturing of polyethylene packaging products including multi-layer and multi-colour laminated rolls and pouches, low-density polyethylene (LDPE) bags, high-density polyethylene (HDPE) bags, woven sacks and mulch film bags used in packing food products, spices, textiles and medicines. The company is also involved in trading of plastic granules. SPPL has an administrative office and a manufacturing unit in Bengaluru, Karnataka. The company also has two sales offices in Tamil Nadu and Kerala.

For FY2012–13, SPPL reported PAT of Rs.0.18 crore on operating income of Rs.25.84 crore as compared with net loss of Rs.1.19 crore on operating income of Rs.9.76 crore for FY2011–12. SPPL's net worth stands at Rs.1.21 crore as on March 31, 2013 as compared with Rs.0.46 crore a year earlier.

**Contact List**

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