

October 21, 2013

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	1.75	SMERA BB/Stable (Assigned)
Term Loan	0.90	SMERA BB/Stable (Assigned)
Letter of Credit	6.00	SMERA A4+ (Assigned)
Bank Guarantee	0.40	SMERA A4+ (Assigned)

SMERA has assigned a long-term rating of **'SMERA BB' (read as SMERA Double B)** and a short-term rating of **'SMERA A4+' (read as SMERA A Four Plus)** to the Rs.9.05 crore bank facilities of Mayfair Polymers Private Limited (MPPL). The outlook is **'Stable'**. The ratings are constrained by the company's modest scale of operations and high dependence on government orders. The ratings are also constrained by the company's exposure to raw material price volatility, foreign exchange fluctuation risk, geographical concentration risk and intense competition. However, the ratings derive comfort from the company's long track record of operations, experienced management, moderate leverage and comfortable coverage indicators.

MPPL, established in 1992, is a Gujarat-based company engaged in manufacturing polyvinyl chloride (PVC) pipes, high-density polyethylene (HDPE) pipes, sprinklers and plumbing fittings. PVC pipes account for about 90 per cent of the company's total revenues. MPPL has a modest scale of operations with revenues of Rs.20.75 crore for FY2011-12 (refers to financial year, April 01 to March 31) as compared with revenues of Rs.22.63 crore for FY2010-11. The company registered revenues of Rs.31.77 crore (provisional) in FY2012-13. MPPL is highly dependent on government orders. Moreover, the company derives about 95 per cent of its total revenues from state-owned boards and local bodies in Gujarat.

MPPL's profit margins are susceptible to raw material price volatility as the company's main input (PVC resin, a derivative of crude oil) accounts for about 95 per cent of the total cost of sales. MPPL imports about 32 per cent of its raw material requirement. The company's imports are hedged by forward contracts to mitigate foreign exchange fluctuation risk. MPPL operates in a highly competitive and fragmented industry, which limits the company's bargaining power with customers and suppliers.

MPPL has a moderate financial risk profile with leverage of 1.16 times (excluding interest-free unsecured loans from promoters) as on March 31, 2012. The company's interest coverage ratio is

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comfortable at 2.56 times for FY2011–12. MPPL has a comfortable liquidity position with average cash credit utilisation of ~75 per cent during March 2013 to August 2013.

Mr. Susmit Patel, Director of MPPL, has around two decades of experience in the PVC pipes industry.

Outlook: Stable

SMERA believes the outlook on MPPL's rated facilities will remain stable over the medium term on account of the company's experienced management and established track record of operations. The outlook may be revised to 'Positive' if the company achieves a sustained growth in revenues and profit margins while maintaining its capital structure. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in the company's revenues and profit margins or if the company undertakes any major debt-funded capital expenditure.

About the company

MPPL, incorporated in 1992, is promoted by Mr. Susmit Patel and Mrs. Manisha Patel. The company is engaged in manufacturing of PVC pipes, HDPE pipes, sprinklers and plumbing fittings. MPPL is an ISO 9001:2008 certified company with ISI 4985:2000 and ISI 4984:1995 approvals.

MPPL has an administrative office and a factory unit in Himatnagar, Gujarat.

For FY2011–12, MPPL reported PAT of Rs.0.29 crore on operating income of Rs.20.75 crore as compared with PAT of Rs.0.33 crore on operating income of Rs.22.63 crore for FY2010–11. For FY2012–13 (as per provisional financials), MPPL reported PAT of Rs.0.49 crore on operating income of Rs.31.77 crore. The company's net worth stands at Rs.2.76 crore as on March 31, 2012 as compared with Rs.2.47 crore as on March 31, 2011.

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SMERA RATINGS LIMITED

Mayfair Polymers Private Limited (MPPL)**Rating
Rationale****Contact List:**

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