

December 18, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	1.75	SMERA BB/Stable (Reaffirmed)
Term Loan#	0.90	SMERA BB/Stable (Withdrawn)
Letter of Credit	9.00 (enhanced from 6.00)	SMERA A4+ (Reaffirmed)
Bank Guarantee	0.50 (enhanced from 0.40)	SMERA A4+ (Reaffirmed)
Credit Exposure Limit*	0.19	SMERA A4+ (Assigned)

#Term loan has been fully repaid

*Forward Contract/Derivatives

SMERA has reaffirmed the long-term rating of '**SMERA BB**' (**read as SMERA double B**) and the short-term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs.11.25 crore (enhanced from Rs.9.05 crore) bank facilities of Mayfair Polymers Private Limited (MPPL). Further, SMERA has assigned a short-term rating of '**SMERA A4+**' to the Rs.0.19 crore bank facility Credit Exposure Limit (Forward Contract/Derivatives) of MPPL. The outlook is '**Stable**'. The ratings remain constrained by the company's modest-scale operations and high dependence on government orders in an intensely competitive and fragmented industry. The ratings are also constrained by the susceptibility of the company's profit margins to volatility in raw material prices and fluctuations in forex rates. The ratings note that the company's financial profile is exposed to geographical concentration risk. However, the ratings draw comfort from the company's long track record of operations, experienced management and low gearing (debt-net worth ratio).

Update

MPPL reported gross sales of Rs.20.13 crore (provisional) during April 2014 to November 2014. The company's revenue has declined from Rs.31.09 crore in FY2012-13 (refers to financial year, April 01 to March 31) to Rs.29.35 crore in FY2013-14 on account of lower orders from the government. MPPL's operating margin increased to 6.72 per cent in FY2013-14 from 5.48 per cent in FY2012-13 on account of lower raw material cost as a percentage of sales.

MPPL's tangible net worth stood at Rs.4.02 crore as on March 31, 2014, as compared with Rs.3.17 crore as on March 31, 2013. The company's debt-net worth ratio reduced to 1.05 times as on March 31, 2014, as compared with 1.76 times as on March 31, 2013 on account of repayment of term loan and conversion of unsecured loan into equity.

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MPPL's interest coverage ratio has declined from 2.56 times in FY2011-12 to 2.15 times in FY2013-14 on account of increase in interest costs. The company's working capital cycle remained comfortable at 25 days in FY2013-14. Also, MPPL's cash credit utilisation is comfortable at ~79 per cent during April 2014 to September 2014.

Outlook: Stable

SMERA believes MPPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management and established operations. The outlook may be revised to 'Positive' in case the company registers significant growth in revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of steep decline in the company's revenues or profit margins, or in case of significant deterioration in the company's capital structure on account of larger-than-expected debt-funded capex.

About the company

MPPL, incorporated in 1992, is a Gujarat-based company promoted by Mr. Susmit Patel and Mrs. Manisha Patel. The company manufactures 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 FY2013-14, MPPL reported profit after tax (PAT) of Rs.0.45 crore on operating income of Rs.29.35 crore, as compared with PAT of Rs.0.42 crore on operating income of Rs.31.09 crore in FY2012-13.

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