February 10, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	4.75	SMERA BB+/Stable (Upgraded; Enhanced from Rs.1.75 crore)
Standby Line of Credit	0.71	SMERA A4+ (Assigned)
Letter of Credit	6.00	SMERA A4+ (Reaffirmed; Reduced from Rs.9.00 crore)
Standby Line of Credit (LC)	0.91	SMERA A4+ (Assigned)
Bank Guarantee	3.50	SMERA A4+ (Reaffirmed; Enhanced from Rs.0.50 crore)
CEL	0.12	SMERA A4+ (Reaffirmed; Reduced from Rs. 0.19 crore)

SMERA has upgraded the abovementioned long-term rating to **'SMERA BB+' (read as SMERA double B plus)** from 'SMERA BB' (read as SMERA double B) and reaffirmed the short-term rating of **'SMERA A4+' (read as SMERA A four plus)** on the enhanced bank facilities of Rs.15.98 crore of Mayfair Polymers Private Limited (MPPL). The outlook is **'Stable'**.

The rating upgrade is in view of the company's improved revenues and profitability. The ratings continue to draw comfort from the long track record of operations, moderate financial risk profile and experienced management. The ratings also derive comfort from the comfortable liquidity position. However, the ratings are constrained by the modest scale of 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. Besides, the ratings note that the company is exposed to geographical concentration risk.

Update

The company's revenue has increased to Rs.36.51 crore in FY2014–15 from Rs.29.35 crore in FY2013–14 (refers to financial year, April 01 to March 31). As per provisional figures, the company has achieved revenues of Rs.41.01 crore during April, 2015 to December, 2015. The year-on-year rise is on account of increase in orders from government entities. MPPL has also increased its production capacity of PVC pipes to 11532 MT from 6426 MT which helped in executing the excess order flow. The company's operating margin increased to 7.06 per cent in FY2014–15 from 5.48 per cent in FY2012–13 on account of the company's ability to pass on the cost to its customers. The debt-net worth ratio stood at 0.74 times as on March 31, 2015 after treating unsecured loans of Rs.2.75 crore as quasi equity. The interest coverage ratio stood low at 1.89 times in FY2015. The company's average cash credit limit utilisation has been comfortable at ~ 77 per cent during July to December, 2015

Rating Sensitivity Factors

- Ability to scale up operations and profitability
- Maintaining comfortable capital structure

Outlook: Stable

SMERA believes that MPPL will continue to benefit over the medium term from its promoters' industry experience and moderate financial risk profile. The outlook may be revised to 'Positive' in case of sustained improvement in the profitability margins while maintaining healthy revenue growth. Conversely, the outlook may be revised to 'Negative' if the company registers a steep decline in profitability margins or significant deterioration in the capital structure on account of larger-than-expected working capital requirements. Undertaking large debt funded capex plans can also have a negative bearing on the outlook.

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, HDPE pipes, sprinklers and plumbing fittings. The company is ISO 9001:2008 certified with ISI 4985:2000 and ISI 4984:1995 approvals. MPPL's administrative office and factory unit are located at Himatnagar, Gujarat.

For FY2014–15, MPPL reported profit after tax (PAT) of Rs.0.59 crore on operating income of Rs.36.44 crore, as compared with PAT of Rs.0.45 crore on operating income of Rs.29.35 crore in FY2013–14.

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