

## Press Release

**Mayfair Polymers Private Limited (MPPL)**

22 December, 2017



### Rating Upgraded and Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 15.98 Cr.
<b>Long Term Rating</b>	SMERA BBB- /Stable (Upgraded from SMERA BB+/Stable)
<b>Short Term Rating</b>	SMERA A3 (Upgraded from SMERA A4+)

\*Refer annexure for details

SMERA has upgraded the long term rating on the Rs.15.51 crore bank facilities of Mayfair Polymers Private Limited (MPPL) to **'SMERA BBB-' (read as SMERA triple B minus)** from **'SMERA BB+' (read as SMERA double B plus)** and short term rating to **SMERA A3 (read as SMERA A three)** from **SMERA A4+ (read as SMERA A four plus)**. Also, SMERA has assigned long term rating of **'SMERA BBB-' (read as SMERA triple B minus)** on the Rs. 0.47 crore bank facilities of Mayfair Polymers Private Limited (MPPL). The outlook is '**Stable**'.

The upgrade is in view of the significant growth in revenue along with profitability margins of the company. SMERA believes that going ahead the company will sustain growth in revenues and profitability margins over the medium term.

MPPL was incorporated in 1992 by Mr. Susmit Patel & Mrs. Manisha Patel (Directors). The company is engaged in the manufacture of Polyvinyl Chloride (PVC), High Density Polyethylene (HDPE) pipes at Himatnagar, Gujarat. The installed capacity stands at 11,532 metric tonnes for PVC pipes and 2,400 metric tonnes for HDPE pipes.

#### **Key rating drivers**

##### **Strengths**

**Strengths:**

##### **Experienced management and established track record of operations**

The promoters have experience of more than two decades in the said line of business which has helped establish healthy relations with customers and government entities.

##### **Healthy financial risk profile**

MPPL has a healthy financial risk profile marked by net worth of Rs. 11.38 crore as on 31 March, 2017 compared to Rs. 9.36 crore as on 31 March, 2016. It includes unsecured loan of Rs. 4.06 crore as on 31st March, 2017 which is considered as quasi equity. The gearing improved to 0.50x times as on 31 March, 2017 from 0.53x times as on 31 March, 2016. The total debt of Rs. 5.70 crore mainly comprises working capital borrowings. The company does not have any long

term debt as on 31 March, 2017. Further the company is not planning to avail any future term loans. The interest coverage ratio stood at 3.22 times in FY2017 as against 2.48 times in FY2016. The Total outside liabilities/tangible net worth (TOL/TNW) stood at 0.98 times as on 31 March, 2017 as against 1.17 times as on 31 March, 2016. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.33 times as on 31 March, 2017 as against 0.34 times as on 31 March, 2016. Going forward, SMERA expects the company to maintain its financial risk profile and improve its net worth in the absence of major debt funded capex plans.

### **Moderate working capital cycle**

MPPL has a moderate working capital cycle marked by gross current assets (GCA) of 117 days in FY2017 compared to 86 days in FY2016. The GCA days mainly comprise inventory of 65 days in FY2017 compared to 55 days in FY2016. The average cash credit utilisation for the past six months stood at ~80 percent. SMERA believes that efficient working capital management will be crucial for the company to maintain a stable credit profile.

### **Weaknesses**

#### **Uneven revenue and profitability trend**

MPPL has registered revenue of Rs.51.68 crore in FY2017 as against Rs. 60.26 crore in FY2016 and Rs. 36.44 crore in FY2015. Further, during April 2017 to November 2017, the company registered revenue of Rs.30.00 crore and has an unexecuted order book position of Rs. 29.00 crore. The operating margins improved to 7.43 percent in FY2017 from 6.29 percent in FY2016. Also, the profit after tax (PAT) margin improved to 2.89 percent in FY2017 as against 2.02 percent in FY2016. Going forward, SMERA expects the revenue growth to be moderate in the near to medium term backed by the healthy relations with customers and the current order book position.

#### **Susceptibility of margins to raw material price fluctuations**

MPPL operates in the plastic processing industry which exposes it to the risk of raw material price volatility, which in turn could impact margins.

#### **Intense competition, geographical concentration risk**

MPPL is exposed to intense competition in the plastic industry. Since the business is concentrated in Gujarat (95 percent) it is exposed to geographical concentration risk.

#### **Analytical approach:**

SMERA has considered the standalone business and financial risk profiles of MPPL to arrive at the rating.

#### **Outlook - Stable**

SMERA believes that MPPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenue while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be

revised to 'Negative' in case of decline in revenue, profit margins or deterioration in the financial risk profile and liquidity position.

### About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	51.68	60.26	36.44
EBITDA	Rs. Cr.	3.84	3.79	2.57
PAT	Rs. Cr.	1.50	1.22	0.59
EBITDA Margin	(%)	7.43	6.29	7.06
PAT Margin	(%)	2.89	2.02	1.62
ROCE	(%)	22.10	24.65	21.10
Total Debt/Tangible Net Worth	Times	0.50	0.53	0.74
PBDIT/Interest	Times	3.22	2.48	1.89
Total Debt/PBDIT	Times	1.48	1.31	2.12
Gross Current Assets (Days)	Days	117	86	171

### Any other information:

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

### Note on complexity levels of the rated instrument

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

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

None

### Rating History (last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
27 May, 2017	Cash Credit	Long Term	4.75	SMERA BB+/Stable (Indicative)
	Standby Line of Credit	Short Term	0.71	SMERA A4+ (Indicative)
	Letter of Credit	Short Term	6.00	SMERA A4+ (Indicative)
	Standby Line of Credit	Short Term	0.91	SMERA A4+ (Indicative)
	Bank Guarantee	Short Term	3.50	SMERA A4+ (Indicative)
	Derivative Exposure	Short Term	0.12	SMERA A4+ (Indicative)

10-Feb, 2016	Cash Credit	Long Term	4.75	SMERA BB+/Stable (Upgrade)
	Standby Line of Credit	Short Term	0.71	SMERA A4+ (Assigned)
	Letter of Credit	Short Term	6.00	SMERA A4+ (Reaffirmed)
	Standby Line of Credit	Short Term	0.91	SMERA A4+ (Assigned)
	Bank Guarantee	Short Term	3.50	SMERA A4+ (Reaffirmed)
	Derivative Exposure	Short Term	0.12	SMERA A4+ (Reaffirmed)
18-Dec, 2014	Cash Credit	Long Term	1.75	SMERA BB/Stable (Reaffirmed)
	Term Loan	Long Term	0.90	SMERA BB/Stable (Withdraw)
	Letter of Credit	Short Term	9.00	SMERA A4+ (Reaffirmed)
	Bank Guarantee	Short Term	0.50	SMERA A4+ (Reaffirmed)
	Credit Exposure Limit	Short Term	0.19	SMERA A4+ (Assigned)
21-Oct, 2013	Cash Credit	Long Term	1.75	SMERA BB/Stable (Assigned)
	Term Loan	Long Term	0.90	SMERA BB/Stable (Assigned)
	Letter of Credit	Short Term	6.00	SMERA A4+ (Assigned)
	Bank Guarantee	Short Term	0.40	SMERA A4+ (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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.75	SMERA BBB-/Stable (Upgraded)
Stand By Line of Credit (CC)	Not Applicable	Not Applicable	Not Applicable	0.86	SMERA BBB-/Stable (Upgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA A3 (Upgraded)
Stand By Line of Credit (LC)	Not Applicable	Not Applicable	Not Applicable	0.90	SMERA A3 (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A3 (Upgraded)
Proposed bank Facilities	Not Applicable	Not Applicable	Not Applicable	0.47	SMERA BBB-/Stable (Assigned)

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**ABOUT SMERA**

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