

September 17, 2013

Facilities	Rs. Crore	Rating
Cash Credit (Against Stock & Book Debts)	7.50	SMERA C (Assigned)
Term Loan	1.60	SMERA C (Assigned)

SMERA has assigned a rating of "**SMERA C**" (**read as SMERA C**) to the Rs. 9.10 crores long term bank facilities (fund based) of Sellowrap Industries Private Limited (SIPL). The rating is primarily constrained by delays in debt servicing observed in the company's term loan account post debt restructuring. The rating also factors in the company's moderate scale of operations in a highly competitive plastic processing industry, susceptibility of margins to volatility in raw material prices amidst slowdown in the end user industry. The rating is further constrained by the company's high stake (which has not generated any returns till date) in its group entity Sellowrap EPP India Private Limited. The rating factors in SIPL's weak financial profile marked by moderate leverage, low profitability, weak DSCR and stretched liquidity position. However, the rating derives support from the company's experienced management, long track record of operations and reputed customers.

SIPL is engaged in manufacturing plastic injection moulded components, plastic film components, foam components and thermoforming components, which are mainly used in the automobile and consumer durables industry. Although the company registered revenue CAGR of 34 per cent over FY2008–09 to FY2012–13 (on account of capacity addition and increase in customer base), its net profit margins declined from 2.09 per cent in FY2008–09 to 0.36 per cent in FY2010–11. Moreover, the net profit in FY2010–11 is largely supported by non-operating income. SIPL's net profit margin remained low in FY2011–12 and FY2012–13 on account of high interest cost and limited bargaining power with customers and suppliers. SIPL's overall leverage deteriorated from 0.71 times as on March 31, 2009 to 1.72 times as on March 31, 2013. Further, SIPL invested Rs.6.85 crores (58 per cent of its net worth as on March 31, 2013) in its group company Sellowrap EPP India Private Limited and till date, SIPL has not received any income from the investment. Slowdown in the end user industry and investments by SIPL in a group company led to a stretched liquidity position with an average working capital utilization level high at around 92 per cent during January 2013 to June 2013. SIPL's DSCR is weak at 0.90 times for FY2012–13.

SIPL underwent debt restructuring of its term loan obligation with a financial institution. As per the restructuring terms, the company's term loan instalment repayment has been rescheduled with effect from October 10, 2012. The principal repayment tenure has been extended and in the mean time, the

SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.

company has to continue servicing interest. However, SIPL delayed in servicing interest post restructuring.

About the Company

SIPL was incorporated in 2004 to take over the business of Sellowrap Manufacturing Co., a partnership firm established in 1992 by Mr. Sushil Kumar Poddar and Mr. Alok Kedia. At present, SIPL is headed by Mr. Sushil Kumar Poddar and Mr. Saurabh Poddar.

SIPL was initially engaged in manufacturing foam components. In 1998, the company diversified its operations by manufacturing plastic injection moulded components, plastic film components and thermoforming components. SIPL has an administrative office in Mumbai, Maharashtra and three factory units located in Rajangaon (Maharashtra) and Gurgaon (Haryana).

For FY2012-13, SIPL reported net profit of Rs.0.22 crores on total income of Rs.48.66 crores as compared with net profit of Rs.0.22 crores on total income of Rs.42.08 crores for FY2011-12.

Contact List:

Media / Business Development	Analytical Contacts	Rating Desk
Mr. Virendra Goyal, Vice President – Sales SME Tel : +91-22-67141177 Cell : +91 99300 74009 Email: virendra.goyal@smera.in Web: www.smera.in	Umesh Nihalani Head - Corporate Ratings, Tel: +91-22-6714 1106 Email: umesh.nihalani@smera.in Web: www.smera.in	Tel: +91-22-6714 1170 Email: ratingdesk@smera.in