

Press Release

Shree Ram Resins Private Limited

December 31, 2019

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crores)	Rating Assigned
1.	Long Term Fund Based Limits – Cash Credit	14.00	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)
	Total	14.00	

Details of Facilities are in Annexure I

Detailed Rationale

The rating derives strength from experienced promoters, moderate scale of operations and debt protection metrics. The rating however is constrained by working capital intensive operation, and thin profitability margin.

Key Rating Sensitivities

Upward revision factors:

Increase scale of operations & profitability leading to improvement in debt protection metrics.

Downward revision factors:

Any decline in the scale of operation & Profitability.

List of key rating drivers with detailed description

Key Rating Strengths

Experienced promoters

Industry presence of over two decades has enabled the promoters to establish healthy relationship with suppliers and expand scale and reach, as reflected in increase in revenue in the past three fiscals.

Moderate scale of operations

The company expanded capacities in fiscal 2018 and achieved sales of around Rs 79.61 crore in fiscal 2019. It is further expanding its existing capacity by 600 tonne

per annum over the medium term, which is expected to boost sales. However, operations will be restricted by intense competition in the industry.

Moderate debt protection metrics

The Company has a moderate capital structure marked by the overall gearing of 1.96x as on March 31, 2019, which has improved from 2.36x as on March 31, 2018 primarily because of the capital infusion by the client. The firm has minimal long-term debt with a long term debt to equity ratio that is comfortable at 0.52x as on March 31, 2019. Further, the debt protection metrics are moderate, marked by interest coverage ratio of 1.77x and the debt-service-coverage ratio (DSCR) of 1.78x. Total outside liabilities/Tangible net worth was elevated at 4.20x however, commensurate with the rating level.

Key Rating Weaknesses

Working capital-intensive operations

Average Collection Period are in the range of 100-135 days due to stretched receivables. This is because of high credit extended to customers. Working capital requirement is partly funded by payables of 60-90 days.

Thin profitability margins

The profitability margins of the company are shallow over the last four years. The PBT and PAT margin of the firm has been below 1.50% for the last four years. The profitability margin get slightly improved in the fiscal year 2019 on account of decrease in their expenses.

Analytical Approach & Applicable Criteria

Standalone

Rating methodology for manufacturing sector companies

Financial ratios and Interpretation (Non-Financial Sector)

Liquidity

Liquidity is adequate, with gross cash accrual of around Rs 2.0 crore per annum against yearly term debt obligation of Rs 1.0 crore during FY20. Fund-based limit of Rs 14 crore was utilised by 66.16% on average over the 12 months ended November 2019.

About the Company

The Company was established from conversion of partnership firm i.e. M/s. Shree Ram Resins to Private Limited Company, which is known as M/s. Shree Ram Resins Pvt. Ltd. The partnership firm was established in 1993 with four partners i.e. Mr Hotchand Thakkar, Mr. Rajendra Thakkar, Mr. Bhagwandas Thakkar and Mr. Haresh Thakkar. The same partners converted the firm in Company as per Companies Act 1956 in January 1998.

The Company is into manufacturing of Metalized film, Micro Slitting Film, Polyester Resin for Textile Sizing, Epoxy Resin & Melamine Resins. Majorly all the products is being used in textile industry.

Financials (Standalone) (Rs. crores)

For the year ended* / As On	31-03-2018 (Audited)	31-03-2019 (Audited)
Total Operating Income	81.53	79.49
EBITDA	3.44	4.67
PAT	0.65	1.12
Total Debt	19.19	18.33
Tangible Networkh	8.14	8.94
EBITDA Margin (%)	4.22	5.88
PAT Margin (%)	0.79	1.41
Overall Gearing Ratio (x)	2.36	2.05

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A

Any other information: NA

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Fund Based Limits – CC	Long Term	14.00	IVR BB+ /Stable Outlook	--	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Limits – Cash Credit	--	--	--	14.00	IVR BB+ /Stable Outlook