



## Press Release

### St. Mary's Rubbers Pvt Ltd (SMRPL)

October 11, 2022

#### Rating

Sr. No.	Instrument/Facility	Amount (INR Crore)	Rating Assigned	Rating Action	<a href="#">Complexity Indicator</a>
1	Long Term Bank Facilities	28.58(Reduced from Rs. 40.90 crore)	IVR BBB+/Stable [IVR Triple B plus with Stable Outlook]	Rating Revised	Simple
2	Short Term Bank Facilities	16.12 (enhanced from Rs.11 crore)	IVR A2 [IVR A Two]	Rating Revised	Simple
	<b>Total</b>	<b>44.70</b>			

Details of facilities are in Annexure 1

#### Rating Rationale.

The revision in the rating of the bank facilities of SMR Plantation Pvt Ltd is on account of improvement in its scale of operations, profitability, capital structure and debt coverage indicators in FY22 at consolidated level. The rating derives strength from established position of the group in manufacturing and sale of surgical gloves and natural rubber, extensive experience of promoters and operational linkages among group companies along with a closely connected logistics network. The rating is however constrained by elongated operating cycle, susceptibility to volatile rubber prices linked to crude oil prices, intense competition and risk related to moderation in demand post pandemic which could lead to moderation in revenue.

#### Key Rating Sensitivities:

##### ➤ Upward Rating Factor:

- Significant growth in scale of business with further improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity.
- Improvement in the capital structure with further improvement in debt protection metrics



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### ➤ **Downward Rating Factor:**

- Dip in operating income and/or profitability thereby impacting the debt coverage indicators and/or any deterioration in the financial risk profile.
- Any further significant rise in working capital intensity leading to a further deterioration in the liquidity position

### **Detailed Description of Key Rating Drivers**

#### **Key Rating Strengths**

#### **Established position in manufacturing and sale of surgical gloves and natural rubber:**

The group is an established player in the manufacture and sale of surgical gloves and natural rubber business with a strong presence through a wide distribution network. The group through its plant in Kanjirapally, Kottayam caters to the entire country and has a strong brand name being one of the most trusted brands in the rubber industry. The group's manufacturing capacity has grown significantly over the years through inorganic expansion which has helped strengthen its competitive position, through capacity enhancement along with an in-house facility for quality testing; their products have conformity to the EU and FDA quality standards.

**Extensive experience of promoters:** SMRPPL & SMRPL are private limited companies incorporated in 2014 & 2002 respectively. The companies are promoted by Mr. Sunny Jacob and Mrs. Mini Sunny. The promoters possess a considerable amount of experience in the field of rubber trade and processing. The promoters have been involved in the business for over two decades in the rubber trading and processing business.

**Operational linkages among group companies along with a closely connected logistics network:** The group companies' source raw materials from each other. The horizontal integration in operations has had a positive impact on the overall cost structure of the company. The company has a good supplier network. Its top ten suppliers constitute around a miniscule portion of its total raw material purchases which indicates a well-diversified supply network. Further, majority of its suppliers are located in its close vicinity within the bounds of the location of the plants, which helps the company to save on logistics and mitigate any supply chain disruptions.

**Improved scale of operation and profitability:** Consolidated TOI of the group increased to Rs.399.79 crore for FY22 (Prov.) compared to Rs. 305.85 crore in FY21; increased by 30.75% y-o-y basis on account of increase in sales realisation as well as sales volume of its main



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products. EBITDA margin of the group has improved from 15.58% in FY21 to 20.52% in FY22 (Prov.). Similarly, PAT margin of the group has improved to 13.19% in FY22 (Prov.) from 5.86% in FY21. Gross cash accruals of the group have increased to Rs. 60.24 crore for FY22 (Prov.) compared to Rs. 24.06 crore in FY21.

**Improvement in capital structure and debt coverage indicators:** The capital structure of the group remained moderate marked by overall gearing of 0.42x as on March 31, 2022, as compared to 1.09x as on March 31, 2021; improved on account of accretion of profits to reserves and decline in total debt. TOL/TNW of the group also improved to 0.68x as on March 31, 2022, compared 1.83x as on March 31, 2021. ISCR of the group improved to 15.96x for FY22 (Prov.) compared to 5.82x in FY21. Total Debt/GCA of the group improved to 0.89x for FY22 (Prov.) compared 3.35x in FY21.

### Key Rating Weaknesses

#### Elongated operating cycle

The working capital cycle continues to remain stretched at 83 days in FY22, this is due to a high inventory period of 72 days in the same period. The group has a high amount of inventory in which most of their cash is tied up, which has led to an elongated operating cycle.

#### Susceptibility to volatile rubber prices linked to crude oil prices and intense competition

Raw material accounts for a major portion of the total production cost. Rubber prices are highly volatile in nature. The group maintains an adequate amount of average inventory (which is ascertained by the orders in hand and by estimating future demand) and procures more rubber between periods of increased demand and during season. Further, the group faces competition from other players in this business.

**Risk related to moderation in demand post pandemic could lead to moderation in revenue:** Operating income grew by 30.75% to Rs 399.79 crore in FY22 (Prov.) and this is backed by the healthy demand for gloves amid Covid-19 pandemic. During the pandemic, the demand for examination gloves had increased substantially. The healthy demand has led to both volume growth and value growth. Realizations increased substantially due to significant demand- supply gap. The moderation in demand post pandemic could lead to moderation in revenue.



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**Analytical Approach:** Consolidated Approach (For arriving at the rating, Infomerics has taken the consolidated view of SMR Plantation Pvt Ltd (SMR Plantation) & its 100% subsidiary St. Mary's Rubbers Pvt Ltd. (SMR Rubber) together referred to as SMR group for rating purpose. Additionally, SMR Plantation has also given the corporate guarantee for the debt taken by St. Mary's Rubber Pvt Ltd.)

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning Rating Outlook.](#)

**Liquidity: Adequate**

The group has been earning a moderate level of GCA (Rs.60.24 Crore in FY22 (Prov.) for the last few years and the same is expected to remain adequate against its debt obligations in the next 3 year period. The group maintains moderate cash and bank balance to meet its liquidity requirements. The unencumbered cash and bank balance of the group remained at Rs. 1.70 crores as on 31st March 2022. The group expects sufficient cushion in cash accruals against its debt obligations going forward. The Current ratio stood moderate at 1.53x as at March 31,2022. Overall, the liquidity position is Adequate. The average working capital utilization for last 12 months ending in August 2022 stood at 68.07% in St. Mary's Rubber and at 63.93% in SMR Plantation. Operating cycle of the group has improved for FY22 (Prov.) to 83 days compared to 106 days in FY21 due to decline in the inventory and collection period with an increase in its scale of the operations.

**About the Company**

St. Mary's Rubbers Pvt Ltd (SMRPL) is a private limited company incorporated on 17<sup>th</sup> October, 2002. The company has plants located in Koovappally, Kanjirappally and Kottayam in Kerala. The production facility undertakes designing and production of surgical and examination gloves. The major activity that the company undertakes is the procurement of latex in ammoniated form and concentrating it by the centrifuging process into various grades



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of centrifuged latex (also called “Cenex”). In FY17, SMR Plantation acquired SM Rubber and subsequently the company became a wholly owned subsidiary of SMR Plantation. In 2017, SMR Rubber transferred some plants to SMR Plantation, the transfer of assets was recognised in 2018 when all licenses with SMR Rubber were transferred in the name of SMR Plantation. Currently, SMR Plantation undertakes the production of Latex and related goods and SMR Rubber undertakes the production of surgical gloves, condoms, foams, elastic threads, rubber bands etc. The group is run by Mr. Sunny Jacob and his wife Mrs. Mini Sunny. Mr. Sunny Jacob has over 20 years of experience in the field of rubber trade and processing.

### Financials (Consolidated)

INR in Crore

For the year ended* As on	31-03-2021	31-03-2022
	Audited	Provisional
Total Operating Income	305.85	399.79
EBITDA	47.64	82.02
PAT	17.96	52.87
Total Debt	80.61	53.90
Tangible Net Worth	73.82	127.68
EBITDA Margin (%)	15.58	20.52
PAT Margin (%)	5.86	13.19
Overall Gearing Ratio (x)	1.09	0.42

*\*Classification as per Infomerics' standards*

### Financials (Standalone)

INR in Crore

For the year ended* As on	31-03-2021	31-03-2022
	Audited	Provisional
Total Operating Income	179.59	248.27
EBITDA	42.02	73.63
PAT	24.26	51.41
Total Debt	31.35	17.75
Tangible Net Worth	38.73	88.25
EBITDA Margin (%)	23.40	29.66



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PAT Margin (%)	13.45	20.46
Overall Gearing Ratio (x)	0.81	0.20

*\*Classification as per Infomerics' standards*

**Details of Non-Co-operation with any other CRA:** The ratings of St. Mary's Rubbers Pvt Ltd have been classified under Issuer Not Cooperating category by India Ratings & Research as per Press Release dated October 22, 2021, due to unavailability of information.

**Any other information: Not Applicable**

### Rating History for last three years:

Name of the Facility/ Instrument	Current Rating (Year: 2022-23)			Rating History for the past 3 years		
	Type	Amount (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (September 23, 2021)	Date(s) & Rating(s) assigned in 2021-22 (July 12, 2021)	Date(s) & Rating(s) assigned in 2020-21 (April 15, 2020)
Long Term Bank Facilities	Long Term	28.58	IVR BBB+/Stable	IVR BBB/Stable	IVR BBB/Stable	IVR BBB-/Stable
Short Term Bank Facilities	Short Term	16.12	IVR A2	IVR A3+	IVR A3+	IVR A3

### Name and Contact Details of the Rating Analysts:

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### About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).





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Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit [www.infomerics.com](http://www.infomerics.com)

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### 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 Facility – Cash Credit	-	-	-	26.00	IVR BBB+/ Stable
Long Term Facility- Term Loan	-	-	FY2026	2.58	IVR BBB+/ Stable



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Short Term Fund Based Facility – Bill Discounting	-	-	-	10.00	IVR A2
Short Term Non-Fund Based Facility-Bank Guarantee	-	-	-	5.00	IVR A2
Short Term Non-Fund Based Facility-Forward Contract	-	-	-	1.12	IVR A2

### Annexure 2: List of companies considered for consolidated analysis

Name of the company	Consolidation Approach
SMR Plantation Pvt Ltd	Full Consolidation
St. Mary's Rubbers Pvt Ltd	Full Consolidation

### Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-st-mary-oct22.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable**

**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](http://www.infomerics.com).