



Press Release

St. Mary's Rubbers Pvt Ltd

July 12, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (INR Crore)	Rating Assigned	Rating Action
1.	Long Term Bank Facility – Fund Based – Term Loan	11.70	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)	Revised
2.	Long Term Bank Facility – Fund Based – Cash Credit	21.00	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)	Revised
3.	Short Term Bank Facility – Fund Based – FBP Backed by LC	6.00	IVR A3+ (IVR A Three Plus)	Revised
4.	Short Term Facility – Non Fund Based – Letter of Credit	5.00	IVR A3+ (IVR A Three Plus)	Revised
	Total	43.70		

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating revision to the bank facilities of the entity derives comfort from an established position in manufacturing and sale of surgical gloves and natural rubber, extensive experience of promoters, operational linkages among group companies along with a closely connected logistics network and improving profitability and financial risk profile. However, continued pressure on working capital and susceptibility to volatile rubber prices linked to crude oil prices and intense competition are the rating constraints.

Key Rating Sensitivities

Upward factors:

- Ability to generate and sustain adequate cash flows in relation to its debt servicing obligations
- Sustained improvement in scale of operations and debt protection metrics

Downward factors:

- Decline in operating margins and debt protection and coverage metrics
- Weakening of liquidity profile along with extensive stress in working capital



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Key Rating Drivers with detailed description

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

SMR Plantation Pvt Ltd (SMRPPL) & St. Mary's Rubbers Pvt Ltd (SMRPL) are private limited companies incorporated in 2014 & 2002 respectively. The company is promoted by Mr. Sunny Jacob and Mrs. Mini Sunny. They 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 group. The group 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 group to save on logistics and mitigate any supply chain disruptions.

Improving profitability and financial risk profile

On a consolidated basis the operating income of the group has improved by 5.81% from INR218.82 crore in FY19 to INR231.53 crore in FY20, the topline has increased to INR304.14 crore in FY21 (P), the operating margin is 8.37% on an average over the past three fiscals ended FY20, the profitability is expected to grow further over the years due to increased



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demand for surgical gloves, evidently in FY21 (P) the margins have grown to 19.59%. The total debt of the group has declined from INR99.60 crore in FY20 to INR78.40 crore in FY21 (P), this has led to an improvement in gearing ratio from 2.04x in FY19 to 1.74x in FY20, which has further improved to 0.88x in FY21 (P) due to decline in total debt by ~21%. The financial risk profile of the group, has been improving y-o-y with favourable results in FY21 owing to increased demand for surgical and examination gloves in the domestic and international market. On a standalone level the operating income of the company (SMRPL) has increased manifold from INR74.34 crore in FY20 to INR177.80 crore in FY21 (P) due to the increased global demand for surgical gloves due to the pandemic.

Key Rating Weaknesses

Continued pressure on working capital

The working capital cycle continues to remain stretched at 131 days in FY20, this is due to a high inventory turnover period which has increased from 118 days in FY19 to 124 days in FY20. 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. In FY21 (P) the working capital cycle remain stretched at 119 days due to an elongated inventory turnover period.

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. Going forward the group expects the demand to increase substantially given the current scenario and exports to boom as well, leading to greater revenue recognition.

Analytical Approach: Consolidated *(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 refer as SMR group for rating purpose.*



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Additionally, SMR Plantation has also given the corporate guarantee to the debt taken by St. Mary's Rubber Pvt Ltd.)

Applicable Criteria

Rating Methodology for Manufacturing Sector Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity - Adequate

The group has a current ratio of 1.18x in FY20 which has increased to 1.35x in FY21 (E). The group has short term obligations (Interest + CPLTD) amounting to INR19.44 crore against cash buffers (cash balance + GCA) amounting to INR21.87 crore, which is adequate to cover the current repayment requirements.

About the company

St. Mary's Rubbers Pvt Ltd (SMRPL) is a private limited company incorporated on 17th 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 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, SM Rubber transferred some plants to SMR Plantation, the transfer of assets was recognised in 2018 when all licenses with SM Rubber were transferred in the name of SMR Plantation. Currently, SMR Plantation undertakes the production of Latex and related goods and SM 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.



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Financials (Consolidated)*:

(INR crore)

For the year ended/ As On	31-03-2019	31-03-2020	31-03-2021
	(Audited)	(Audited)	(Provisional)
Total Income	219.79	232.20	304.88
EBITDA	18.71	19.86	59.58
PAT	3.09	2.30	29.37
Total Debt	107.41	99.61	78.40
Tangible Net-worth	52.70	57.31	89.22
Ratios			
EBITDA Margin (%)	8.55	8.58	19.59
PAT Margin (%)	1.40	0.99	9.63
Overall Gearing Ratio (x)	2.04	1.74	0.88

* Classification as per Infomerics' standards

Financials (Standalone)*:

(INR crore)

For the year ended/ As On	31-03-2019	31-03-2020	31-03-2021
	(Audited)	(Audited)	(Provisional)
Total Income	65.90	74.34	178.53
EBITDA	9.90	11.42	53.33
PAT	2.33	1.47	34.25
Total Debt	42.82	36.71	28.86
Tangible Net-worth	35.02	37.25	50.51
Ratios			
EBITDA Margin (%)	15.02	15.36	29.87
PAT Margin (%)	3.54	1.98	19.18
Overall Gearing Ratio (x)	1.21	0.97	0.57

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: India Ratings has moved the rating of St. Mary's Rubbers Pvt Ltd into the Issuer Non-Cooperating category as the company did not co-operate in the rating procedure as per the Press Release dated November 06, 2020.

Any other information: None



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Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (INR crore)	Rating	Date(s) & Rating(s) assigned in 2020-21 (PR dated April 15, 2020)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Bank Facility – Fund Based – Term Loan	Long Term	11.70	IVR BBB / Stable Outlook	IVR BBB- / Positive Outlook	--	--
2.	Long Term Bank Facility – Fund Based – Cash Credit	Long Term	21.00	IVR BBB / Stable Outlook	IVR BBB- / Positive Outlook	--	--
3.	Short Term Bank Facility –Fund Based – FBP Backed by LC	Short Term	6.00	IVR A3+	IVR A3	--	--
4.	Short Term Facility – Non Fund Based – Letter of Credit	Short Term	5.00	IVR A3+	IVR A3	--	--

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 (INR Crore)	Rating Assigned/ Outlook
Long Term Bank Facility – Fund Based – Term Loan	NA	NA	Up to 2026	11.70	IVR BBB/ Stable Outlook
Long Term Bank Facility – Fund Based – Cash Credit	NA	NA	Revolving	21.00	IVR BBB/ Stable Outlook
Short Term Bank Facility –Fund Based – FBP Backed by LC	NA	NA	Less than 1 year	6.00	IVR A3+
Short Term Facility – Non Fund Based – Letter of Credit	NA	NA	Less than 1 year	5.00	IVR A3+