



Press Release

St Mary's Rubber Private Limited (SMRPL)

January 01, 2024

Rating

Sr. No.	Instrument/ Facility	Amount (INR Crore)	Rating Assigned	Rating Action	<u>Complexity Indicator</u>
1	Long Term Bank Facilities	21.00	IVR BBB+/ Stable [IVR Triple B plus with Stable Outlook]	Rating Reaffirmed	Simple
2	Short Term Bank Facilities	22.00	IVR A2 [IVR A Two]	Rating Reaffirmed	Simple
	Total	43.00			

Details of facilities are in Annexure 1

Rating Rationale.

The reaffirmation of the ratings of the bank facilities of St. Mary's Rubber Private Limited continues to take into account established position of the [group*](#) 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, moderate scale of operation with healthy profitability and improvement in capital structure and debt coverage indicators. The rating however remains 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

➤ 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.



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- 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: SMR Plantation Private Limited and St. Mary's Rubber Private Limited 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: St. Mary Rubber Private Limited source raw materials from SMR Plantation Rubber Private Limited. 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.

Moderate scale of operation with healthy profitability

Consolidated total operating income of the group has declined by 15.10% to Rs. 340.41 crore in FY23 (UA) compared to Rs. 400.96 crore in FY22 majorly due to decline in the sales volume and sales realisation of examination gloves and Centrifuged latex 60% during FY23. The EBITDA margin of the group has declined by 548 bps and stood at 15.18% in FY23 (UA) as compared to 20.65% in FY22 mainly on account of decline in operating efficiency along with



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decline in scale of operations. With decline in EBITDA margin, the PAT margin has also declined by 442 bps and stood at 8.56% in FY23 as against 12.98% in FY22. The Gross cash accruals of the group has also declined significantly and stood at Rs. 39.98 crores for FY23 compared to Rs. 60.65 crore in FY22.

Improvement in capital structure and debt coverage indicators

The tangible net worth of the group remained strong at Rs 156.09 crore as on March 31, 2023, as compared to Rs. 126.99 crore as on March 31, 2022, increased mainly on account of accretion of profits to reserves. The overall gearing of the group stood comfortable at 0.30x as on March 31, 2023, improved from 0.48x as on March 31, 2022, due to schedule repayment of debt along with improvement in TNW. Total indebtedness of the group stood comfortable as reflected by TOL/TNW stood at 0.44x as on March 31, 2023, improved from 0.77x as on March 31, 2022. Further, the debt protection indicator of the group also stood comfortable with interest service coverage of 11.95x in FY23 deteriorated from 16.17x in FY22 mainly on account of decline in operating profitability. Total debt to GCA stood at 1.19x as on March 31, 2023, deteriorated from 1.00x as on March 31, 2022, due to decrease in profitability which lead to lower GCA. Similarly, DSCR of the group has deteriorated and stood at 2.23x for FY23 (UA) compared to 3.66x in FY22.

Key Rating Weaknesses

Elongated operating cycle

The working capital cycle continues to remain stretched at 93 days in FY23, this is due to a high collection and raw material holding 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.



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Risk related to moderation in demand post pandemic could lead to moderation in revenue

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 a significant demand- supply gap. The moderation in demand post pandemic could lead to moderation in revenue.

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

[Consolidation of Companies](#)

Liquidity: Adequate

The liquidity position of the group is adequate marked by 62.49% consolidated average utilisation of fund-based limits during the past 12 months ended October 2023. Further, the group expects sufficient cushion in cash accruals against its debt repayments for the next 3 years. The group has a Current Ratio and quick ratio of 1.65x and 1.04x as of March 31, 2023, respectively. The Unencumbered cash and bank balance of the company stood at Rs.1.68 Crores as on March 31, 2023. The Working Capital Cycle of the company stood elongated at 93 days in FY23 deteriorated from 80 days in FY22 on account of increase in collection and raw material holding period.

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

Group comprises of SMR Plantation Private Limited and St. Mary's Rubber Private Limited



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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 St. Mary’s Rubber Private Limited and subsequently the company became a wholly owned subsidiary of SMR Plantation. In 2017, St. Mary’s Rubber Private Limited transferred some plants to SMR Plantation, the transfer of assets was recognised in 2018 when all licenses with St. Mary’s Rubber Private Limited were transferred in the name of SMR Plantation Private Limited. Currently, SMR Plantation Private Limited undertakes the production of Latex and related goods and St. Mary’s Rubber Private Limited 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	31-03-2022	31-03-2023
	Audited	Unaudited
Total Operating Income	400.96	340.41
EBITDA	82.81	51.66
PAT	52.18	29.37
Total Debt	60.69	46.73
Tangible Net Worth	126.99	156.10
EBITDA Margin (%)	20.65	15.18
PAT Margin (%)	12.98	8.56
Overall Gearing Ratio (x)	0.48	0.30

**Classification as per Infomerics' standards*

Financials (Standalone)

INR in Crore

For the year ended* As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	350.58	221.07
EBITDA	76.66	47.11
PAT	49.82	25.77
Total Debt	23.66	24.36



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Tangible Net Worth	88.21	114.23
EBITDA Margin (%)	30.59	21.31
PAT Margin (%)	19.88	11.66
Overall Gearing Ratio (x)	0.27	0.21

**Classification as per Infomerics' standards*

Details of non-co-operation with any other CRA: Vide press release dated October 26, 2023, India Ratings have kept the ratings under non-cooperation category on account of non-submission of relevant information.

Any other information: Not Applicable

Rating History for last three years:

Name of the Facility/ Instrument	Current Rating (Year: 2023-24)			Rating History for the past 3 years		
	Type	Amount (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (Oct 11, 2022)	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	21.00	IVR BBB+/Stable	IVR BBB+/Stable	IVR BBB/Stable	IVR BBB-/Stable
Short Term Bank Facilities	Short Term	22.00	IVR A2	IVR A2	IVR A3+	IVR A3

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).



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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 Bank Facility-Cash Credit	-	-	-	21.00	IVR BBB+/Stable
Short Term Bank Facility-Bill Discounting	-	-	-	10.00	IVR A2
Short Term Bank Facility-Bank Guarantee	-	-	-	10.00	IVR A2
Short Term Bank Facility-Forward Contract	-	-	-	2.00	IVR A2

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-StMary-jan24.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.