

AUGUST 16, 2016

CARE REVISES ST RATING AND REAFFIRMS THE LT RATING ASSIGNED TO THE BANK FACILITIES OF SHAILY ENGINEERING PLASTICS LTD.

Ratings

Bank Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	105.33	CARE BBB+ (Triple B Plus)	Reaffirmed
Short-term Bank Facilities	30.00	CARE A2 (A Two)	Revised from CARE A3+ (A Three Plus)
Total Bank Facilities	135.33 (Rupees One Hundred Thirty Five Crore and Thirty Three Lacs only)		

Rating Rationale

The revision in short-term rating takes into account improved liquidity of Shaily Engineering Plastics Ltd. (SEPL) marked by improvement in operating cycle, moderate fund based working capital limit utilization and availability of ample liquid investments.

The ratings of SEPL continue to derive strength from its long and established track record in plastic injection moulding business, experienced promoters, reputed clientele across diverse end-use industries, growing demand for plastic with its increased application in various industries, healthy profitability; along with its moderate leverage and debt coverage indicators. The ratings also take in to account addition of new customers and continued strong business relationship with its key customer IKEA.

The ratings, however, continue to be constrained by SEPL's moderate scale of operations with high client concentration and moderate bargaining power with its large sized customers, susceptibility of its profitability to raw material price volatility and exposure to foreign exchange rate fluctuations.

SEPL's ability to grow its scale of operations along with diversification of its customer base while retaining its existing clientele, sustain its profitability margins and improve its capital structure shall be the key rating sensitivities.

Background

SEPL was incorporated as a private limited company in 1985 which was merged along-with six other companies into Anmol Trading Company Ltd. and the name of Anmol Trading Company Ltd was subsequently changed to SEPL. It is engaged in manufacturing of injection moulded plastic components and sub-assemblies for various requirements of Original Equipment Manufacturers (OEM). It also offers secondary operations in plastics like vacuum metalizing, hot stamping, ultrasonic welding, etc. The company caters to a wide range of industries including FMCG, pharmaceuticals, switchgear components, auto components, electronics and electrical appliances, etc. Currently, SEPL has five manufacturing facilities - four in Savli (Gujarat) and one in Halol (Gujarat). One facility in Savli is an Export Oriented Unit (EOU) which was set up around nine years back while others cater to both domestic and export markets. During FY15, SEPL had set up a Pharmaceutical packaging plant for manufacturing of Child Resistant (CR) caps & bottles for packaging of drugs for regulated markets whereby sales is expected to commence from Q2FY17.

During FY16 (refers to the period April 1 to March 31), SEPL reported a total operating income of Rs.225.97 crore (FY15: Rs. 180.87 crore) with a PAT of Rs.15.49 crore (FY15: Rs.13.01 crore).

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor 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 in addition to the financial performance and other relevant factors.

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