

Silvershine Corporation

February 28, 2018

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	2.56	CARE B+, Stable [Single B Plus; Outlook: Stable]	Reaffirmed
Short-term Bank Facilities	2.95	CARE A4 [A Four]	Reaffirmed
Total	5.51 [Rupees Five crore and Fifty One Lakh only]		

Details of instruments/facilities in Annexure I

Detailed Rationale

The ratings assigned to the bank facilities of Silvershine Corporation continues to be constrained by small scale of operations, moderate profit margins, moderately leveraged capital structure and weak debt coverage indicators and working capital intensive nature of operation.

The aforesaid constraints, continue to be partially offset by the strength derived from the long track record and experienced promoters.

The ability of SC's to increase its overall scale of operations and improve its profitability and capital structure along with efficient management of working capital requirement is the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weaknesses

Small scale of operations: SC's engaged into manufacturing of paper plates, lids, boxes and cups and exports around 51% of its products to its clients in the USA and remaining to domestic customers. SC's achieve TOI of Rs. 9.70 crore in FY17 (vis-à-vis of Rs.8.70 crore in FY16). There is a marginal improvement in TOI on account of increase in demand for timber from both its existing customers and new customers.

Moderate profit margins: SC's PBILDT margins grew and remained comfortable at 10.95% in FY17 (vis-à-vis 6.81% in FY16) on account of reduction in admin expenses(mainly renewal charges, printing expenses, misc. expenses etc.) and selling expenses.

There have been additions in plant and machinery to meet increasing demand from customers which lead to increase in depreciation cost during FY17.Hence PAT margin has declined marginally and stood at 2.60% in FY17 (vis-à-vis 2.74% in FY16). Nevertheless the same continues to remain moderate..

Moderately leveraged capital structure and weak debt coverage indicators: The long term debt level seems to be favourable marked by debt equity ratio of 0.34 times as on March 31, 2017 (vis-à-vis 0.27x as on March 31, 2016).Though overall gearing of SC's fluctuating for past three years ended as on March 31, 2017, it stood moderate. Further overall gearing has improved and stood at 1.32x as on March 31, 2017 (vis-à-vis 1.71x as on March 31,2016) on account of lower utilisation of working capital borrowing as on balance sheet date and scheduled repayment of loan availed from NBFC along with accretion of profit to reserves. However, the net worth of the firm stood low at Rs.2.83 crore in FY17 (vis-à-vis Rs.2.55crore in FY16).

Weak debt protection metrics: There is marginal improvement in debt coverage indicator of SC's in FY17 on account of lower utilisation of working capital limits as on balance sheet date and reduction in loan from NBFC coupled with marginal

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

growth in GCA. Further Total debt to GCA stood at 6.67x and interest coverage at 2.12x in FY17 (vis-à-vis 10.37x and 0.98x respectively in FY16).

Working capital intensive nature of operations: SC's operations are working capital intensive in nature on account of funds being blocked in inventory as the company procures raw materials on bulk in order to sustain continuous production as well as to avail bulk purchase cash discounts. Hence the inventory period elongated from 130 days in FY16 to 141 days in FY17. Collection period too stretched and stood at 82 days in order to meet competitive edge (vis-à-vis 47 days in FY16). On account of SC's existence since a decade in similar industry SC enjoys higher credit period from its suppliers, which stood at 81 days in FY17 (vis-à-vis 22 days in FY 16) which has leads to marginal improvement in operating cycle to 143 days in FY17 (vis-à-vis 156 days in FY16). High level of utilization of its working capital limits (average utilization of ~90% during past 12 months ended January 2018). Thus the current ratio & quick ratio stood at 1.27x and 0.63x respectively in FY17.

Key Rating Strengths

Experienced promoters: Mr. Shishir Jhalundhwala, the proprietor of SC has an experience of nearly 3 decades in the packing industry. He was earlier associated with Ragal Foil Products LLP and Prisshi Packaging Private Limited and currently looks after the overall operations of the entity and over the years of operations, he has established strong business relationship with its stakeholders.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology – Manufacturing Companies](#)

[Criteria for Short Term Instruments](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

Established in the year 2009 by Mr. Shishir Sagunlal Jalundhwala, Silvershine Corporation (SC) is a proprietorship concern engaged into manufacturing of paper plates, lids, boxes and cups. It operates two manufacturing facilities, one at Vada, Palghar (which is spread over 4500 sq. ft.) and second at Talasari, Palghar (spread over 2000 sq. ft.) and exports around 51% of its products to its clients in the USA and remaining to domestic customers.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	8.70	9.70
PBILDT	0.59	1.06
PAT	0.24	0.25
Overall gearing (times)	1.71	1.32
Interest coverage (times)	0.98	2.12

A: Audited

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	2.30	CARE B+; Stable
Fund-based - LT-Term Loan	-	-	Sept 2018	0.26	CARE B+; Stable
Fund-based - ST-EPC/PSC	-	-	-	2.70	CARE A4
Fund-based - ST-Forward Contract	-	-	-	0.25	CARE A4

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	2.30	CARE B+; Stable	-	1)CARE B+; Stable (15-Feb-17)	-	-
2.	Fund-based - LT-Term Loan	LT	0.26	CARE B+; Stable	-	1)CARE B+; Stable (15-Feb-17)	-	-
3.	Fund-based - ST-EPC/PSC	ST	2.70	CARE A4	-	1)CARE A4 (15-Feb-17)	-	-
4.	Fund-based - ST-Forward Contract	ST	0.25	CARE A4	-	1)CARE A4 (15-Feb-17)	-	-

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