

Silvershine Corporation

March 19, 2019

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	2.30 (reduced from Rs.2.56 crore)	CARE B+; Stable (CARE Single B Plus; Outlook; Stable)	Reaffirmed
Short-term Bank Facilities	2.95	CARE A4 (CARE A Four)	Reaffirmed
Total	5.25 [Rupees Five crore and Twenty five 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 operations. The ratings are further constrained by foreign exchange fluctuation risk, presence in highly competitive and fragmented industry and proprietorship nature of constitution.

The aforesaid constrains, continues 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 requirements is the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weaknesses

Small scale of operations: SC operates on small scale being operates in the paper product manufacturing industry. However, SC's total operating income (TOI) has continuously increased in the range of Rs.8.70 crore to Rs.11.03 crore during FY16-FY18 on account of increased demand from both its existing customers and new customers with addition in its products line by baking lining, paper plates and cushion tapes etc. Moreover, the tangible network of the entity remained low which also limits the financial flexibility to an extent.

Moderate profit margins: SC's PBILDT margin remained moderately comfortable in the range of 6.81%-10.95% in during FY16-FY18 and the same base improved during FY17 & FY18 on the back of continuous growth in scale of operations. However, PAT margin has continuously declined marginally and stood at in the range of 2.74%-2.31% during FY16-FY18. Nevertheless the same continues to remain moderate.

Moderately leveraged capital structure and weak debt coverage indicators: The capital structure of the entity stood moderately leveraged with overall gearing of SC's remained at 1.40x as on March 31, 2018 (vis-à-vis 1.32x as on March 31, 2017) owing to higher debt level to fund its working capital requirements. Moreover, due to high debt level and moderate profitability, debt coverage indicators remained moderately weak.

Working capital intensive nature of operations: SC's operations are working capital intensive in nature on account of funds being blocked in inventory and debtors as the company procures raw materials on bulk in order to sustain continuous production as well as to avail bulk purchase cash discounts. Collection period also remained stretched due to liberal credit period provided to its customers. Owing to above, the entity extends higher credit period to its suppliers and also led to high level of utilization of its working capital limits.

Key Rating Strengths

Long track record of operations and experienced promoters: The entity has established track record of operations of about a decade of operations in the industry. Further, Mr. Shishir Jhalundhwal, 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.

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

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)	FY17(A)	FY18 (A)
Total operating income	9.70	11.03
PBILD	1.06	1.13
PAT	0.25	0.26
Overall gearing (times)	1.32	1.40
Interest coverage (times)	2.12	2.11

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:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is 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 CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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	-	-	-	0.00	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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	2.30	CARE B+; Stable	-	1)CARE B+; Stable (28-Feb-18)	1)CARE B+; Stable (15-Feb-17)	-
2.	Fund-based - LT-Term Loan	LT	0.00	CARE B+; Stable	-	1)CARE B+; Stable (28-Feb-18)	1)CARE B+; Stable (15-Feb-17)	-
3.	Fund-based - ST-EPC/PSC	ST	2.70	CARE A4	-	1)CARE A4 (28-Feb-18)	1)CARE A4 (15-Feb-17)	-
4.	Fund-based - ST-Forward Contract	ST	0.25	CARE A4	-	1)CARE A4 (28-Feb-18)	1)CARE A4 (15-Feb-17)	-

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