

Supershine ABS Platers Private Limited

January 29, 2020

Rating

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	13.85	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable; Issuer Not Cooperating)	Issuer not cooperating; Revised from CARE BB-; Stable (Double B Minus; Outlook: Stable) on the basis of best available information
Total	13.85 (Rupees Thirteen crore and Eighty Five lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Supershine ABS Platers Private Limited (SABS) to monitor the rating(s) vide e-mail communications/ letters dated July 1, 2019, July 22, 2019, July 23, 2019, July 25, 2019 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. **In the absence of minimum information required for the purpose of rating, CARE is unable to express opinion on the rating.** In line with the extant SEBI guidelines CARE's rating on SABS's bank facilities will now be denoted as **CARE B+; Stable; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The rating has been revised on account of deterioration in the financial risk profile of the company in FY19 over FY18 and non-cooperation by SABS, with CARE's efforts to undertake a review of the rating outstanding. CARE views information availability risk as a key factor in its assessment of credit risk.

Detailed description of the key rating drivers

At the time of last rating on August 10, 2018, the following were the rating strengths and weaknesses (updated from registrar of companies):

Key Rating Weaknesses

Small albeit continuously increasing scale of operations: The scale of operations of SABS stood small with the total operating income ranging from Rs.3.68 crore to Rs.17.26 crore in the last 4 years ended FY19 (refers to the period April 1 to March 31), given the job-work nature of operations. However, the scale has been continuously increasing over the said periods owing to increase in deployments of plant & machinery thereby leading to increase in production, increase of focus on automobile parts and increase in demand for electroplated products in the market. Given the small scale of operations, the tangible net-worth base also stood small, thereby limiting the financial flexibility of the company.

Highly leveraged capital structure & weak debt coverage indicators: The capital structure of SABS stood highly leveraged given the high reliance on term loans to fund the capital expenditures. The overall gearing has significantly deteriorated and stood at 4.70 times as on March 31, 2019 (vis-à-vis 2.34 times as on March 31, 2018). Given this coupled with moderate profitability & cash accruals, the debt coverage indicators also stood relatively weak.

Working capital intensive nature of operations: The operations of SABS are working capital intensive in nature with a majority of funds of over 40-70 days blocked in debtors given the credit period to that extend required to be extended to the customers and a moderate portion of over 10-45 days blocked in inventory. However, given the moderate credit period extended by the suppliers, the operating cycle stood moderate at 25-50 days over FY16-FY19.

Risks associated to execution & stabilization of the ongoing expansion project: SABS is undertaking an expansion project for setting up of a new manufacturing facility at Tarapur, Maharashtra, at which the company will also undertake manufacturing of injection molds and subsequently will also undertake plating on them. The said project is highly funded through external

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

*Issuer did not cooperate; Based on best available information

debt. The company is exposed to timely project execution & stabilization risk, since 18.37% of the total estimated project cost is yet to be incurred as on March 31, 2018, whereas the subsequent stabilization of operations would also be critical.

Presence in highly competitive & fragmented industry: SABS operates in a highly competitive & fragmented plating industry wherein a large number of unorganized players are engaged in the plating activities on a job-work basis. Moreover, the increasing demand for the plated products from the reputed players in the market intensifies the prevailing competition in the market. This is evident from the high collection period marked by high credit period required to be extended by the company to its reputed customers.

Key Rating Strengths

Long track record of operations, highly experienced promoters with operational and financial synergies with group: SABS possesses a long track record of over 15 years of operations in electroplating of various pen parts, various automobile parts and various household articles on a job-work basis. The overall operations of SABS are looked after by the promoters – Mr. Suresh Shah with his son Mr. Ranjan Shah, who possess a total experience of over 33 years and 20 years respectively in the electroplating activities. Furthermore, SABS derives operational and financial synergies with its group entities viz. Spencer & Spencer (S&S) and Arihant Enterprises (AE) who are also engaged in the similar line of business.

Established relationship with reputed albeit concentrated clientele: SABS has established long-term relationships with its various reputed customers which include manufacturers of pens, automobile parts and household articles. However, the customer profile of the company is highly concentrated with the top 5 customers comprising 75.84% of the net sales in FY18 (prov.) (vis-à-vis 96.24% in FY17).

High profit margins albeit susceptibility to volatile raw material prices: The PBILDT margin of SABS stood moderately high in the range of 5.42% to 12.77% over FY16-FY19. However, the same remained susceptible to volatility in prices of copper and nickel. The PBILDT margin has declined from 12.77% in FY18 to 10.50% in FY19.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

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

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

[CARE's Methodology for Manufacturing Companies](#)

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

About the Company

Incorporated in February 2004 as a private limited company by Mr. Suresh Shah, SABS is engaged in surface finishing on various ABS (Acrylonitrile Butadiene Styrene) plastics & metals. The said activity comprises electroplating of various pen parts, automobile parts and household articles. The operations of the company are completely undertaken on a job-work basis, wherein the molds are provided by the customers to the company, after which the latter applies plating on them. The services of the company are catered to the manufacturers of pens, automobile parts and household articles to various states & union territories across India, viz. Pondicherry, Tamil Nadu, Maharashtra, Daman, Goa, etc. On the other hand, the primary raw materials viz. metals and various chemicals are procured from the local manufacturers & traders across Mumbai and Dadra & Nagar Haveli.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	11.42	17.26
PBILDT	1.46	1.81
PAT	1.03	0.63
Overall gearing (times)	2.34	4.70
Interest coverage (times)	1.61	2.19

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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-Term Loan	-	-	February, 2025	11.85	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information
Fund-based - LT-Cash Credit	-	-	-	2.00	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	11.85	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information	-	1)CARE BB-; Stable (10-Aug-18)	-	-
2.	Fund-based - LT-Cash Credit	LT	2.00	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information	-	1)CARE BB-; Stable (10-Aug-18)	-	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not applicable

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.

Contact us

Media Contact

Mradul Mishra

Contact No. – +91-22-6837 4424

Email ID – mradul.mishra@careratings.com

Analyst Contact

Mr. Ashish Kambli

Contact No. – +91-22-67543684

Email: ashish.kambli@careratings.com

Relationship Contact

Mr. Ankur Sachdeva

Cell: + 91 98196 98985

E-mail: ankur.sachdeva@careratings.com

Mr. Saikat Roy

Cell: + 91 98209 98779

E-mail: saikat.roy@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over nearly 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 the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. 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. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, 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. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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