

Synthiko Foils Limited

August 07, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	4.31	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable ISSUER NOT COOPERATING)	Issuer Not Cooperating; Based on best available information
Short-term Bank Facilities	4.50	CARE A4+; ISSUER NOT COOPERATING* (A Four Plus ISSUER NOT COOPERATING)	Issuer Not Cooperating; Based on best available information
Total Facilities	8.81 (Rupees Eight crore and Eighty One lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Synthiko Foils Limited (SFL) to monitor the rating(s) vide e-mail communications/ letters dated May 25, 2018, July 23, 2018, July 31, 2018, August 1, 2018 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on Synthiko Foils Limited bank facilities will now be denoted as **CARE BB-; Stable /CARE A4+; 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.

The ratings take into account small scale of operations, moderately low profit margins, leveraged capital structure, moderately weak debt coverage indicators, working capital intensive nature of operations, susceptibility of profit margins to volatility of raw material prices, foreign exchange fluctuation risk, presence in highly competitive and fragmented nature of operations, established track record of operations with experience promoters and established relationship with diversified clientele.

Detailed description of the key rating drivers

At the time of last rating on June 14, 2018 the following were the rating strengths and weaknesses (updated for the information available from Bombay stock exchange):

Key Rating Weaknesses

Small scale of operations with moderately low profit margins: The scale of operations of SFL stood small during past three years with total operating income (TOI) remained in the range of Rs.17.74 crore to Rs.30.84 crore during FY17-FY19. The PBILDT and PAT margin of SFL stood low in the range of 4.63% to 6.62% and 1.17% to 1.92% during the same period. Furthermore, tangible networth of the company also stood small at Rs.3.88 crore as on March 31, 2019 due to lower capitalization during past.

Leveraged capital structure and moderately weak debt coverage indicators: SFL's capital structure remained leveraged owing to high reliance on external debt with higher LC backed creditors. However, the overall gearing has improved to 1.20 times as on March 31, 2019 against 1.81 times as on March 31, 2018 on account of increase in the networth base owing to capitalization of profits. The debt coverage indicators also remained moderately weak due to the high reliance on debt with low cash accruals.

Working capital intensive nature of operations: The overall operations remained working capital intensive on account of long credit period given to its customers along with higher inventory maintained by the company to avoid adverse raw material price fluctuations. Furthermore, the company also extends the payments to its suppliers.

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

Susceptibility of profit margins to volatility of the raw material prices with foreign exchange fluctuation risk: The profit margins are susceptible to the volatile prices of raw material as aluminium prices remained highly fluctuating. Furthermore, the company imports significant raw materials from China, Indonesia & Thailand and hence, the foreign exchange fluctuation risk continues to persist, since any adverse currency movements would have a bearing on the purchase prices of the company and eventually its profitability.

Presence in highly competitive and fragmented nature of operations: SFL operates in the highly competitive and fragmented packaging industry where it faces intense competition from other established players from organized and unorganized sectors in the packaging industry across domestic and international markets. This is evidently reflected in the fluctuating profit margins, since the company is compelled to offer its products at competitive rates to its customers.

Key rating strengths

Established track record of operations with experience promoters: SFL has an established track record of over two decades of operations in the packaging industry in which it has established its strong relationships in the domestic and international markets. The operations of SFL are looked after by Dadhia family with Mr. Ramesh J Dadhia with around 45 years of experience and Mr. Bhavesh R. Dadhia has experience of 20 years in the packaging industry.

Established relationship with diversified clientele: Over the years of operations, SFL has established long-term relationships with its customers based in pharmaceutical industry. Moreover, the customer profile remained diversified with top 3 customers constituted 22% of TOI during FY18.

Liquidity Analysis:

The liquidity position is marked by low current ratio and quick ratio at 1.29 times and 0.76 times respectively as on March 31, 2018 (vis-à-vis 1.19 times and 0.68 times respectively as on March 31, 2017). Further, cash flow from operating activities stood positive at Rs.0.79 crore as on March 31, 2018. Moreover, free cash and bank balance was Rs.0.74 crore as on March 31, 2018 (vis-à-vis Rs.0.95 crore as on March 31, 2017).

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](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology-Manufacturing Companies](#)

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

About the Company

Synthiko Foils Limited (SFL) was incorporated in the year 1984 as a Pvt Ltd, commenced the operations from 1995 by Dhadhia family with Mr. Ramesh Dadhia and Mr. Bhavesh Dadhia as promoters. The company was converted to public limited in the year 1986 and listed on BSE in 1995. Presently, Mr. Ramesh J. Dadhia, Mr. Bhavesh R. Dadhia, Mrs. Sheetal Dadhia and Mr. Dilip Punjabi are the directors of the company. The company is into manufacturing of aluminum packaging foils including laminated, coated, plain & printed foils mainly for pharmaceutical industry. The product range offered by SFL comprises of Alu Alu Foils, Lidding Foil, Two Ply and Three Ply Laminates, Blister Foil, Printed Aluminum Foil, Laminated Aluminum Foil and Aluminum Foil Lids etc. which are offered in different sizes, shapes and thicknesses. SFL is a Drug Master File (DMF) certified company issued by U.S. Food and Drug Administration (FDA). SFL's has its plant situated at Palghar and registered office in Borivali, Mumbai

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	21.94	30.84
PBILDIT	1.42	1.43
PAT	0.42	0.44
Overall gearing (times)	1.81	1.20
Interest coverage (times)	2.20	2.20

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

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	-	-	-	4.25	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-Letter of credit	-	-	-	4.50	CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - LT-Term Loan	-	-	-	0.03	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - LT-Term Loan	-	-	-	0.03	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on 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-Cash Credit	LT	4.25	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1) CARE BB-; Stable (14-Jun-18)	-	-
2.	Non-fund-based - ST-Letter of credit	ST	4.50	CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1) CARE A4+ (14-Jun-18)	-	-
3.	Fund-based - LT-Term Loan	LT	0.03	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1) CARE BB-; Stable (14-Jun-18)	-	-
4.	Fund-based - LT-Term Loan	LT	0.03	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1) CARE BB-; Stable (14-Jun-18)	-	-

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. – 022-67543684
Email: ashish.kambli@careratings.com

Relationship Contact

Ms. Meenal Sikchi
Cell: + 91 98190 09839
E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
Cell: + 91 98196 98985
E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar
Cell: + 91 99675 70636
E-mail: rashmi.narvankar@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 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.

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