

Press Release

Saarp Non Woven India Private Limited

D-U-N-S® Number: 87-364-8051

April 01, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 11.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) to the Rs. 11.00 crore bank facilities of Saarp Non Woven India Private Limited (SNPL). The outlook is '**Stable**'.

Tamil Nadu based, SNPL came into existence in 2011 and is promoted by Mr. Balakrishnan and Mr. Mayilsamy families as a private limited company. SNPL is engaged in the business of manufacturing of polypropylene (PP) spun-bonded non-woven fabric, that finds application in various segments such as home furnishing, packaging and medical (hospitals). The firm has registered office in Tamil Nadu and have four manufacturing facilities in Kerala, Karnataka and Tamil Nadu. SNPL has manufacturing capacity of 17000 pieces of bags per day.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Saarp Non woven India Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced management

SNPL is a private limited company promoted by Mr. Balakrishnan and Mr. Mayilsamy. Later, the other family members joined as Directors in the company. The promoters have experience of over a decade in this line of business.

• Average financial risk profile

The financial risk profile of SNPL is average marked by tangible net worth of Rs.2.85 crore as on 31 March, 2018 as against Rs.2.83 crore as on 31 March, 2017. The low net worth is due to accumulated losses over the years. The gearing stood high at 2.94 times as on 31 March, 2018 as against 1.77 times as on 31 March, 2017. The total debt of Rs.8.38 crore includes interest free unsecured loan of Rs.1.84 crore, term loan of Rs.1.02 crore and working capital funding of Rs.5.52 crore. The interest coverage ratio stood at 1.87 times in FY2018 as against 2.06 times in FY2017.

Weaknesses

• Working capital intensive operations

SNPL's operations are working capital intensive marked by high GCA of 234 days in FY2018 as against 164 days in FY2017. Since SNPL has 100-150 variety of products, the inventory holding period remains high at 133 days as on March 2018 as against 108 days as on March, 2017. The average working capital utilisation has been high at around 98 per cent for last seven months ended February, 2019. Acuite believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

• Susceptibility of operating margin to volatility in raw material prices

SNPL deals in variety of products comprising polypropylene (PP) spun-bonded non-woven fabric, non-

woven bag and other varieties of non-woven products. The major raw materials of the company are polypropylene, which are produced from derivatives of crude oil. Hence, the prices of these products

are impacted by the volatility in crude oil prices. The inherent volatility in the crude oil prices coupled with such temporary imbalances in global demand-supply situations leading to volatility in the raw material supplies and prices.

Liquidity position

SNPL has weak liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.0.49-0.56 crore during the last three years through 2016-18, while its maturing debt obligations were Rs.0.50-1.00 crore over the same period. The company's operations are working capital intensive as marked by high gross current asset (GCA) days of 234 in FY2018. This has led to higher reliance on working capital borrowings, the cash credit limit in the company remains utilised around 98 percent during the last 7 months for the period ended February, 2019. The company maintains unencumbered cash and bank balances of Rs.0.02 crore as on March 31, 2018. The current ratio of the firm stood at 1.04 times as on March 31, 2018. Acuite believes that the liquidity of the company is likely to improve over the medium term on account of increase in scale of operations.

Outlook: Stable

Acuite believes that SNPL will maintain a 'Stable' business risk profile over the medium term owing to its experienced management and established relationship with customers. The outlook may be revised to 'Positive' in case of significant improvement in business risk profile and revenue. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's business or financial risk profile, or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	19.86	19.92	9.63
EBITDA	Rs. Cr.	1.11	1.05	1.41
PAT	Rs. Cr.	0.14	0.09	0.08
EBITDA Margin	(%)	5.59	5.29	14.68
PAT Margin	(%)	0.72	0.44	0.86
ROCE	(%)	8.15	8.23	25.02
Total Debt/Tangible Net Worth	Times	2.94	1.77	6.90
PBDIT/Interest	Times	1.87	2.06	1.67
Total Debt/PBDIT	Times	7.42	4.67	4.66
Gross Current Assets (Days)	Days	234	164	219

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BB- / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BB-/ Stable

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About Acuite Ratings & Research:

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