

Press Release

Farah Polysack Private Limited

08 May, 2018

Rating Assigned & Reaffirmed



Total Bank Facilities Rated	Rs. 30.00 Cr.
Long Term Rating	SMERA B+/ Stable (Reaffirmed)

Rating Rationale

SMERA has reaffirmed of '**SMERA B+**' (read as **SMERA B Plus**) on the Rs. 10.00 crore bank facilities and assigned a long term rating of '**SMERA B+**' (read as **SMERA B Plus**) on the Rs.20.00 crore bank facilities of Farah Polysack Private Limited (FPPL).

Farah Polysack Private limited was incorporated in the year 1985. Presently the company is engaged in the field of providing construction services. The company provides constructions in the field of commercial buildings and complex. The company has completed the construction of a college building for Shree Bhagwan Mahaveer Education and Cultural Trust. The trust is under a lease contract with FPPL for a period of 27 years with a lock in period of 15 years. FPPL will receive a rent of Rs. 36 lacs monthly for the college building given to Shree Bhagwan Mahaveer Education & Charitable Trust as a part of Lease Rental Discounting.

Key Rating Drivers

Strengths

Experienced Management

The promoters of the company, Mr Liaqat Ali Khan and Mr. Sadat Ali Khan have been into the construction business since more than two decades. FPPL is being led by an experienced management which will be good for the company.

Weaknesses

Weak Financial risk profile

Farah Polysack Private Limited has a weak financial risk profile marked by low net worth of Rs. 3.55 crore in as on March 31, 2017 as against Rs. 1.61 crore as on March 31, 2016. Gearing of the company stood high at 5.67 times as on March 31, 2017 compared to 13.51 times as on March 31, 2016. The total debt of the company Rs. 20.14 crore comprises majorly of unsecured loans from directors/ promoters of Rs. 13.75 crore and long term debt of Rs. 6.15 crore. Further, the directors will invest required amount of extra money in the company in case of any shortfall on account of debt obligations. Interest Coverage Ratio (ICR) of the company stood at 3.46 times in FY2017 as against 1.52 times in FY2016. Debt Service Coverage Ratio (DSCR) stood at 2.95 times in FY2017 as against 1.40 times in FY2016. NCA/TD has remained at 0.10 times in FY2017 and 0.02 times in FY2016. ROCE stood healthy at 14.71 per cent in FY 2017 compared to 7.90 per cent in FY 2016. The existing current outstanding amount for the term loan of Rs. 3.59 crore will be adjusted within the drop line over draft facility limit of Rs. 26.00 crore.

Intensive working capital management

Farah Polysack Private Limited's operations are intensive with respect to working capital management, marked by Gross Current Asset (GCA) days of 285 in FY2017 compared to 679 in FY2016. The GCA days are mainly dominated by high inventory days of 558 in FY2017 and -1,414 in FY2016.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of Farah Polysack Private Limited.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	4.09	1.44	-
EBITDA	Rs. Cr.	3.45	1.69	-0.11
PAT	Rs. Cr.	1.94	0.45	-0.01
EBITDA Margin	(%)	84.47	117.37	-
PAT Margin	(%)	47.44	30.98	-
ROCE	(%)	14.71	7.90	-0.19
Total Debt/Tangible Net Worth	Times	5.67	13.51	15.91
PBDIT/Interest	Times	3.46	1.52	-0.18
Total Debt/PBDIT	Times	5.83	12.85	-13161
Gross Current Assets (Days)	Days	285	679	-

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

None

Any other information

SMERA is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument:

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
12-May-2017	Term Loan	Long Term	10.00	SMERA B+ (Indicative)
23-Dec-2015	Term Loan	Long Term	10.00	SMERA B+/ Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.59	SMERA B+/ Stable (Reaffirmed)
Drop Line Over draft	Not Applicable	Not Applicable	Not Applicable	26.00	SMERA B+/ Stable (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.41	SMERA B+/ Stable (Assigned)

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ABOUT SMERA

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