

Press Release

Farah Polysack Private Limited

September 30, 2019



Rating Downgraded and Withdrawn

Total Bank Facilities Rated*	Rs.30.00 Cr.
Long Term Rating	ACUITE D (Downgraded from ACUITE B+/Stable)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded the long-term rating to '**ACUITE D**' (**read as ACUITE D**) from '**ACUITE B+**' (**read as ACUITE B plus**) on the Rs. 30.00 crore bank facilities of Farah Polysack Private Limited (FPPL).

Acuité has withdrawn the long-term rating of '**ACUITE D**' (**read as ACUITE D**) on the Rs. 26.00 crore bank facilities of FPPL.

The downgrade in the rating is on account of persistent delays in servicing debt obligations.

The rating has been withdrawn on account of conversion of overdraft facility to term loan.

Farah Polysack Private limited was incorporated in the year 1985. Presently the company is engaged in providing construction services 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 (SBMT). The trust is under a lease contract with FPPL for a period of 27 years with a lock in period of 15 years. FPPL receives monthly rent of Rs. 38.18 lacs for the college building given to SBMT as a part of Lease Rental Discounting.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of FPPL for arriving at the rating.

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 beneficial for the company.

Weaknesses

- **Delays in servicing debt obligations**

FPPL has been facing significant liquidity pressure on account of delayed realisation from its tenant which has impeded its ability to meet its debt obligation in a timely manner.

- **Average financial risk profile**

The company has average financial risk profile, which is marked by low net worth, moderate gearing and comfortable debt protection metrics. Net worth stood at Rs.7.51 crore against total debt of Rs.17.89 crore as on 31 March 2019 (Provisional). Gearing improved to 2.38 times as on 31 March 2019 (Provisional) as against 3.56 times as on 31 March 2018. The total debt of Rs.17.89 crore consists of Rs.11.20 crore unsecured loans and Rs.6.69 crore term loan. TOL/TNW stood at 2.85 times as on 31 March 2019 (Provisional) as against 4.18 times as on 31 March 2018. Debt protection metrics of interest coverage ratio (ICR) and debt service coverage ratio (DSCR) are comfortable at 5.21 times and 3.80 times, respectively, in FY2019 (Provisional).

Material Covenants

None

Liquidity Position: Poor

The liquidity of FPPL is poor led by persistent delays in servicing debt obligations.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	4.18	3.98	4.09
EBITDA	Rs. Cr.	3.44	3.28	3.45
PAT	Rs. Cr.	2.00	1.96	1.94
EBITDA Margin	(%)	82.25	82.40	84.47
PAT Margin	(%)	47.76	49.18	47.44
ROCE	(%)	12.96	13.13	14.71
Total Debt/Tangible Net Worth	Times	2.38	3.56	5.67
PBDIT/Interest	Times	5.21	4.77	3.46
Total Debt/PBDIT	Times	5.19	5.99	5.83
Gross Current Assets (Days)	Days	355	341	285

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
18-Jul-2019	Term Loan	Long Term	3.59	ACUITE B+ (Indicative)
	Dropline Overdraft	Long Term	26.00	ACUITE B+ (Indicative)
	Proposed Bank Facility	Long Term	0.41	ACUITE B+ (Indicative)
08-May-2018	Term Loan	Long Term	3.59	ACUITE B+ / Stable (Reaffirmed)
	Dropline Overdraft	Long Term	26.00	ACUITE B+ / Stable (Assigned)
	Proposed Bank Facility	Long Term	0.41	ACUITE B+ / Stable (Assigned)
12-May-2017	Term Loan	Long Term	10.00	ACUITE B+ (Indicative)
23-Dec-2015	Term Loan	Long Term	10.00	ACUITE B+ / Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	27.00	ACUITE D (Downgraded from ACUITE B+ / Stable)
Proposed Long Term Facility	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE D (Downgraded from ACUITE B+ / Stable)
Dropline Overdraft	Not Applicable	Not Applicable	Not Applicable	26.00	ACUITE D (Withdrawn)

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About Acuité Ratings & Research:

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