

## Press Release

### Microplast Polytex Industries Private Limited

09 April, 2018

#### Rating Assigned



|                                     |                            |
|-------------------------------------|----------------------------|
| <b>Total Bank Facilities Rated*</b> | Rs. 15.00 Cr.              |
| <b>Long Term Rating</b>             | SMERA B+ / Outlook: Stable |

\* Refer Annexure for details

#### Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (**read as SMERA B plus**) on the Rs. 15.00 crore bank facilities of Microplast Polytex Industries Private Limited. The outlook is '**Stable**'.

The Nagpur-based Microplast Polytex Industries Private Limited (MPIPL) established in 2013 commenced commercial operations from April 2015 in the manufacturing of P.P. woven sacks, P.P. woven fabrics, industrial woven fabrics among others at Wardha, Maharashtra.

The company is promoted by Mr. Amol Shamkule (Managing Director) and Mr. Madhusudhan Roongta (Director) who possess more than two decades of experience in various industries including cement, construction, coal powder manufacturing and plastics.

The installed capacity is 3600 MTP annum of granules. MPIPL caters to reputed clients such as Godrej Agrovet Ltd, Manikgarh Cement, Ultratech Cement.

#### **Key Rating Drivers**

##### **Strengths**

###### **• Experience management**

MPIPL was established in 2013 by Mr. Amol Shamkule (Managing Director) and Mr. Madhusudhan Roongta (Director) who have more than two decades of experience in the aforementioned industries.

###### **• Average financial risk profile**

The financial risk profile is average marked by low networth, high gearing and comfortable debt protection metrics. The net worth declined to Rs.2.83 crore as on 31 March, 2017 from Rs.3.39 crore as on 31 March, 2016 due to accumulated losses. The gearing stood at 4.78 times as on 31 March, 2017 as against 4.57 times as on 31 March, 2016. The Interest Coverage Ratio (ICR) stood at 1.73 times in FY2017 as against 1.61 times in FY2016. The Total outside Liabilities to Tangible Networth (TOL/TNW) stood at 5.79 times in FY2017 and 5.04 times in FY2016.

###### **• Reputed clientele**

MPIPL caters to reputed companies such as Godrej Agrovet Ltd, Manikgarh Cement, Ultratech Cement, Sneha Foods Ltd, Kamal Polypack and Saguna Foods Pvt Ltd. to name a few who contribute more than 70 per cent to revenue. The company has established long term relations with the aforementioned.

## Weaknesses

- **Working capital intensive operations**

The operations are working capital intensive marked by high Gross Current Assets days of 191 in FY2017 and 158 in FY2016. The inventory days were high at 83 days in FY2017 and 52 days in FY2016. Further, the debtor days also stood high at 50 days in FY2017 and 55 days in FY2016. The average bank limit utilisation stood at ~100 percent in the last six months ended 31 December, 2017.

- **Highly competitive and fragmented industry**

The company is exposed to intense competition in the poly woven sacks industry due to low entry barriers and a large number of unorganised players.

## Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

## Outlook: Stable

SMERA believes that MPIPL will maintain a stable outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher- than-expected growth in revenues and net cash accruals while maintaining better profit margins. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues and profitability, or deterioration in the financial risk profile.

## About the Rated Entity - Key Financials

|                               | Unit    | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income              | Rs. Cr. | 16.05         | 16.84         | 0.34          |
| EBITDA                        | Rs. Cr. | 3.28          | 1.81          | 0.00          |
| PAT                           | Rs. Cr. | -0.56         | -1.62         | 0.00          |
| EBITDA Margin                 | (%)     | 20.44         | 10.77         | 0.13          |
| PAT Margin                    | (%)     | -3.52         | -9.64         | 0.13          |
| ROCE                          | (%)     | 7.57          | -2.86         | 0.01          |
| Total Debt/Tangible Net Worth | Times   | 4.78          | 4.57          | 3.32          |
| PBDIT/Interest                | Times   | 1.73          | 1.61          | 0.00          |
| Total Debt/PBDIT              | Times   | 4.11          | 8.55          | 27891.29      |
| Gross Current Assets (Days)   | Days    | 184           | 164           | 2489          |

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

CARE Ratings in its rationale dated April 06, 2018 has stated that "CARE has been seeking information from Microplast Polytex Industries Private Limited (MPIPL) to monitor the rating(s) vide e-mail communications/ letters 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 MPIPL's bank facilities will now be denoted as CARE B; ISSUER NOT COOPERATING\*."

## Any other information

Not Any

## Applicable Criteria

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

## Note on complexity levels of the rated instrument

<https://www.smera.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. Crore) | Ratings/Outlook   |
|------------------------|------------------|----------------|----------------|-------------------------------|-------------------|
| Cash Credit            | Not Applicable   | Not Applicable | Not Applicable | 3.25                          | SMERA B+ / Stable |
| Term loans             | Not Applicable   | Not Applicable | Not Applicable | 8.10                          | SMERA B+ / Stable |
| Proposed Bank Facility | Not Applicable   | Not Applicable | Not Applicable | 3.65                          | SMERA B+ / Stable |

## Contacts

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## ABOUT SMERA

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