

Pratap Synthetics Limited (PSL)

Pratap Synthetics Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	12.50	SMERA BB+/Stable (Assigned)
Term Loan	4.35	SMERA BB+/Stable (Assigned)
Term Loan (Proposed)	8.56	SMERA BB+/Stable (Assigned)
Cash Credit (Proposed)	2.59	SMERA BB+/Stable (Assigned)
Letter of Credit/Bank Guarantee	4.50	SMERA A4+ (Assigned)

SMERA has assigned long term rating of '**SMERA BB+**' (**read as SMERA double B plus**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) to the Rs.32.50 crore bank facilities of Pratap Synthetics Limited (PSL). The outlook is '**Stable**'.

The ratings draw comfort from the experienced management and long track record of operations. The ratings factor in the comfortable financial risk profile marked by moderate net worth, comfortable gearing and healthy coverage indicators. However, the ratings are constrained by the moderate scale of operations and debt funded capex plan.

PSL, incorporated in 1984 is engaged in the manufacture of polypropylene (PP) woven fabric and sacks. The company benefits from its experienced management. Mr. Jagdish Chandra Agarwal, Mr. Sunil Agarwal and Mr. Shyam Sunder Jindal, Directors, possess over three decades of experience in the plastic industry. The company has a comfortable financial risk profile marked by moderate net worth of Rs.15.72 crore, comfortable gearing (Debt-equity) of 1.01 times, healthy interest coverage ratio (ICR) of 2.16 times and debt service coverage ratio (DSCR) of 1.16 times in FY2015-16.

However, the ratings are constrained by the moderate scale of operations marked by revenue of Rs.55.96 crore in FY2016, a decrease from Rs.69.78 crore in FY2015 mainly due to decline in crude oil prices during the year. Besides, the company plans to enhance its existing capacity by 3,000 TPA involving a fund outlay of around Rs.12 crore to be funded in the ratio of 2.4:1. The operations are expected to commence in FY2017. While the capacity expansion is expected to increase the gearing levels of the company, over the medium term it will continue to remain at healthy levels.

Outlook-Stable

SMERA believes that PSL will maintain a stable outlook and benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues while achieving sustained improvement in profit margins and the financial risk profile. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve the projected revenues or registers deterioration in the financial risk profile.

Rating Sensitivity Factors

- Improvement in scale of operations with sustenance in profitability
- Debt funded capex plan

Criteria applied to arrive at the ratings:

- Manufacturing entities

About the Company

PSL, incorporated in 1984, is a West Bengal-based manufacturing unit promoted by Mr. Jagdish Chandra Agarwal, Mr. Sunil Agarwal and Mr. Shyam Sunder Jindal. The company is engaged in the manufacture of polypropylene woven fabric and sacks with current installed capacity of 7537.50 MTPA.

For FY2015–16, PSL registered profit after tax (PAT) of Rs.1.31 crore on operating income of Rs.55.96 crore, as compared with PAT of Rs.1.18 crore on operating income of Rs.69.78 crore in FY2014–15. The tangible net worth stood at Rs.15.72 crore as on March 31, 2016 as against Rs.14.45 crore in the previous year.

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ABOUT SMERA

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