

Press Release

Mahashakti Polycoat

13 October, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 6.00 Cr
Long Term Rating	SMERA B+/Stable (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (**read as SMERA B plus**) on the Rs. 6.00 crore bank facilities of Mahashakti Polycoat (MP). The outlook is '**Stable**'.

Mahashakti Polycoat (MP), is a Gujarat-based partnership firm established in 2015 by Mr. Amit Baheti, Mr. Narayan Mundhra and Mr. Pankaj Baheti. The firm is engaged in the manufacturing of Polypropylene (PP) High Density Poly Ethylene (HDPE) woven fabric (laminated and non-laminated) and tarpaulin in the range of 68 to 250 gram per square meter. The firm commenced operations from April, 2015. MP caters to wholesalers located across India. The manufacturing unit is located at Mehsana with installed production capacity of 4,500 MTPA.

List of key rating drivers and their detailed description

Strengths:

Experienced promoters: The partners, Mr. Amit Baheti, Mr. Narayan Mundhra and Mr. Pankaj Baheti possess more than a decade of experience in the plastic woven fabrics manufacturing business.

Weaknesses:

Small scale of operations: The scale of operations is small with operating income of Rs. 18.48 crore in FY2017 as against Rs.12.25 crore in FY2016. The track record of operations is limited as the firm commenced operations from April, 2015. Further, as informed by the management, MP reported operating revenue of Rs. 15.50 crore from April, 2017 to September, 2017.

Average financial risk profile: The financial risk profile of the firm is average marked by low networth of Rs. 3.00 crore as on 31 March, 2017 as against Rs. 2.68 crore in the previous year. The gearing stood at 1.73 times as on 31 March, 2017 as against 2.02 times in the previous year. The Interest coverage ratio (ICR) stood at 2.31 times for FY 2017 as against 2.02 times in FY2016. The DSCR stood at 1.17 times for FY2017 as against 1.82 times in the previous year. The total liabilities to tangible networth (TOL/TNW) stood at 2.24 times as on 31 March, 2017 as against 2.55 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.13 times in FY2017 as against 0.12 times in FY2016.

Thin profitability is susceptible to fluctuations in raw material prices: MP reported net profit margin of 0.81 percent for FY2017 as against 0.23 percent in the previous year. The PAT margin in FY2017 is significantly supported by non-operating income. Further, Polypropylene (PP) and High Density Polyethylene (HDPE) are the major raw materials used in the manufacturing process, the prices of which are highly volatile and directly dependent on crude oil prices. Also, the raw material cost constituted ~ 82 percent of the total sales in FY2017 as against ~79 percent in the previous year. Hence, the profitability of the firm is highly susceptible to fluctuations in raw material prices.

Partnership constitution: The firm is exposed to capital withdrawal risk on account of its partnership constitution.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the firm.

Applicable Criteria

- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Default Recognition - <https://www.smerra.in/criteria-default.htm>

- Application of Financial Ratios and Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Outlook: Stable

SMERA believes that the outlook for MP will remain stable over the medium term on account of the extensive experience of the promoters in the plastic woven fabrics manufacturing industry. The outlook may be revised to 'Positive' if the firm achieves significant growth in revenue and profitability while effectively managing its liquidity position. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk or liquidity profile due to major debt funded capex or higher than expected working capital requirement.

About the Rated Entity -Key Financials

For FY2016-17, MP reported net profit of Rs. 0.15 crore on operating income of Rs. 18.48 crore as against net profit of Rs. 0.03 crore on operating income of Rs. 12.25 in the previous year. The net worth stood at Rs. 3.00 crore as on 31 March, 2017 as against Rs. 2.68 crore in the previous year.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the 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	N.A	N.A	N.A.	3.00^	SMERA B+/Stable (Assigned)
Term Loan I	N.A	N.A	March, 2022	2.19	SMERA B+/Stable (Assigned)
Term Loan II	N.A	N.A	February, 2023	0.77	SMERA B+/Stable (Assigned)
Proposed	N.A	N.A	N.A.	0.04	SMERA B+/Stable (Assigned)

[^]Includes sublimit of book debts, letter of credit and letter of guarantee to the tune of Rs. 1.50 crore, Rs. 0.50 crore and Rs. 0.50 crore respectively.

Note on complexity levels of the rated instrument:

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

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ABOUT SMERA

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