



Press Release

Indian Resins And Polymers

February 27, 2019

Rating Downgraded, Withdrawn & Assigned

Total Bank Facilities Rated*	Rs. 59.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable (Downgraded from ACUITE BBB- /Stable)
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has downgraded long-term rating to '**ACUITE BB**' (**read as ACUITE double B**) from '**ACUITE BBB-**' (**read as ACUITE triple B minus**) to the Rs. 19.00 crore bank facilities of INDIAN RESINS & POLYMERS (IRP). Acuité has also assigned long term rating of '**ACUITE BB**' (**read as ACUITE double B**) and short term rating to '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs. 40.00 crore bank facilities of INDIAN RESINS & POLYMERS. Further, Acuité has withdrawn short term rating of '**ACUITE A3**' (**read as ACUITE A three**) on the Rs 40.00 crore bank facilities of IRP. The outlook is '**Stable**'.

The downgrade of IRP's rating reflects the deterioration in profitability metrics resulting in the deterioration in debt protection metrics. Further, the downgrade reflects significant amount of capital withdrawal of Rs.6.74 crore in FY 2018, which going forward may impact the capital structure of the firm.

IRP was established in 1979 by Mr. G. Sureshchandran Nair. IRP is a family run partnership firm between Mr. G. Sureshchandran Nair and his wife, Mrs. Rina Suresh Nair. The firm is engaged in cashew nut trading. The firm imports raw material from states of Africa. The firm sells cashew nuts to states of Andhra Pradesh, Tamil Nadu and Kerala.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of IRP to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management and long track record**

IRP is a partnership firm engaged in trading of raw cashew nuts. The business was established in 1979 by M. P. Gopinath Nair. Currently, the business is ran by Mr. G. Sureshchandran Nair, son of Mr. P. Gopinath Nair. Initially, the firm was engaged in the business in manufacture of cashew kernels and shell oils and exporting the same. Cashew nut shell liquid (CSNL) oil business was discontinued in early 90's after the demise of Mr. P. Gopinath Nair and manufacturing was also discontinued in 2008-09. The firm now trades in raw cashew nuts. Nair family has over 45 years of experience in cashew business.

Weaknesses

- **Deterioration in profitability margins**

The operating profitability deteriorated significantly in FY 2018 to (1.44) per cent from 3.01 per cent in the previous year. The dip in operating margins resulted in dip in net profit margins to (1.95) per cent in FY 2018 from 2.20 per cent a year earlier. The dip in margins is on account of rise in cost of raw cashew and the inability of the firm to pass on the cost to the end user due to slow-down in the overall demand in the cashew industry.

- **Deterioration in financial risk profile**

The firm's financial risk profile has deteriorated in FY 2018 on account of dip in profitability metrics. The net worth of the firm decreased to Rs.23.82 crore as on 31 March, 2018 as compare to Rs.30.56 crore a year earlier. The gearing though stood comfortable at 0.35 times as on 31 March, 2018 as compare to 0.54 times a year earlier, however the significant amount of capital withdrawal of Rs.6.74 crore in FY 2018 may impact the capital structure of the firm. The debt protection metrics deteriorated with dip in profitability metrics with interest coverage ratio becoming negative at (0.10) times as on 31 March, 2018 from 2.26 times a year earlier. Further, NCA/TD stood at of (0.11) times in FY 2018 from 2.26 times a year earlier.

- **Presence in competitive and fragmented industry**

The domestic cashew industry is highly fragmented, marked by the presence of many small players which leads to intense competition in both the organised and unorganised segments. Further, being present in the competitive industry has resulted in modest scale of operations with revenue of Rs.54.10 crore as compare to Rs.60.34 crore a year earlier.

Liquidity

The firm liquidity profile has deteriorated in FY 2018 marked by negative net cash accruals of Rs.0.88 crore from Rs.1.53 in FY 2017. However, the rating derives comfort from the unencumbered fixed deposits of Rs 14.13 crore as on 31st March'18. Moreover, on an average the firm utilizes ~ 20 per cent of its working capital limit which provides liquidity cushion to the firm.

Outlook: Stable

Acuité believes that IRP will maintain a 'Stable' business risk profile in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues and significantly improves its profitability. Conversely, the outlook may be revised to 'Negative' in case the firm registers lower-than-expected growth in revenues and further dip in profitability resulting in deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	54.10	60.34	60.49
EBITDA	Rs. Cr.	-0.78	1.82	1.77
PAT	Rs. Cr.	-1.05	1.33	2.34
EBITDA Margin	(%)	-1.44	3.01	2.93
PAT Margin	(%)	-1.95	2.20	3.87
ROCE	(%)	-0.63	6.19	6.42
Total Debt/Tangible Net Worth	Times	0.35	0.54	0.15
PBDIT/Interest	Times	-0.10	2.26	3.78
Total Debt/PBDIT	Times	-106.48	5.97	1.31
Gross Current Assets (Days)	Days	120	152	138

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.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
06-Dec-2017	Secured Overdraft	Long Term	19.00	ACUITE BBB- / Stable (Assigned)
	Buyers Credit	Short Term	40.00	ACUITE A3 (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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	16.00	ACUITE BB / Stable (Assigned)
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	19.00	ACUITE BB / Stable (Downgraded from ACUITE BBB-/Stable)
Proposed Short Term Facility	Not Applicable	Not Applicable	Not Applicable	24.00	ACUITE A4+ (Assigned)
Buyers Credit	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE A3 (Withdrawn)

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About Acuite Ratings & Research:

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