

Press Release

ASHIRVAD POLYSAC PRIVATE LIMITED

December 08, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 7.00 Cr.
Long Term Rating	SMERA B / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (**read as SMERA B**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs. 7.00 crore bank facilities of ASHIRVAD POLYSAC PRIVATE LIMITED. The outlook is '**Stable**'.

Ashirvad Polysac Private Limited (APPL) was established in 1990 by Mr. Gopalkrishna Shenoy (Director). The company manufactures woven sacks used for packaging of pesticides, fertilisers, cement and food grains at Mangaluru, Karnataka. The operations are led by Mr. Gopalkrishna Shenoy (Director) and Mr. Goutham Shenoy (son). The capacity stands at 250 metric tons per month with current utilisation of around 80 percent.

Key Rating Drivers

Strengths

- **Experienced management**

APPL was incorporated in 1990 by Mr. Gopalkrishna Shenoy. The promoter has more than two decades of experience in the packaging industry.

- **Reputed clientele**

The extensive experience of the management has helped the company build long term relations with customers and suppliers. The company caters to a reputed client base including Mangalore Chemicals & Fertilizers (MCF), Mangalore Minerals, Transworld to name a few.

Weaknesses

- **Weak financial risk profile**

APPL's financial risk profile is weak marked by high gearing, moderate debt protection metrics and low net worth. The gearing stood high at 11.82 times with moderate DSCR of 1.21 times for FY2017. The Interest Coverage stood low at 1.28 times in FY2017 compared to 1.29 times in FY2016. The EBITDA margin stood low at 5.54 percent in FY2017 as against 5.22 percent in FY2016. The PAT margin stood at a thin 0.35 per cent in FY2017 as against 0.23 per cent in the previous year. The net worth stood low at Rs.0.61 crore in FY2017 and Rs.0.54 crore in FY2016.

- **Working capital intensive operations**

The operations are working capital intensive marked by Gross Current Assets days of 195 for FY2016-17 as against 187 days in the previous year. The inventory days stood at a high of 133 days in FY2016-17 and 135 days in FY2015-16. The debtor days were 59 in FY2016-17 compared to 51 days in FY2015-16. The payables stood at 37 days in FY2016-17 as against 34 days in the previous year.

- **Intense market competition**

The company is exposed to intense competition in the packaging industry on account of low entry barriers and easy availability of raw materials.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company to arrive at the rating.

Outlook: Stable

SMERA believes that APPL will maintain a stable outlook over the medium term owing to its promoters experience in the industry. The outlook may be revised to 'Positive' in case the company is able to register healthy revenues and sustain profitability. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenue, profit margins and working capital cycle.

About the Rated Entity - Key Financials

For FY2016-17, APPL reported net profit of Rs.0.13 crore on total operating income of Rs.19.80 crore compared with net profit of Rs.0.10 crore on total operating income of Rs.19.97 crore in FY2015-16. The tangible net worth stood at Rs.0.61 crore as on 31 March, 2017 as against Rs.0.54 crore in the previous year.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.30	SMERA B / Stable
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA A4
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.70	SMERA B / Stable

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