

## Press Release

### Ashirvad Polysac Private Limited

February 22, 2019

### Rating Reaffirmed



<b>Total Bank Facilities Rated*</b>	Rs. 7.00 Cr.
<b>Long Term Rating</b>	ACUITE B / Outlook: Stable
<b>Short Term Rating</b>	ACUITE A4

\* Refer Annexure for details

### Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE B**' (read as **ACUITE B**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs. 7.00 crore bank facilities of Ashirvad Polysac Private Limited (APPL). The outlook is '**Stable**'.

The reaffirmation of the rating reflects established track record of operations and experienced management. However, the rating is constrained by moderate scale of operations, weak financial risk profile and high working capital intensity of operations.

APPL, established in 1990 under the directorship of Mr. Gopalkrishna Shenoy, is currently managed by his son, Mr. Goutham Shenoy. APPL is engaged in manufacturing of Woven Sacks, which are used for packaging pesticides, fertilizers, cement, and food grains, among others.

### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of APPL to arrive at the rating

### Key Rating Drivers

#### Strengths

- **Experienced management**

All directors are having more than two decade's experience in the plastic and plastic product industry. The company has long track record of operations supported by stable revenues at about Rs.20 crore with reputed client base of Mangalore Chemicals & Fertilisers Ltd., Ultratech Cements Ltd, United Phosphorus Limited among others spread across the markets of Maharashtra and Karnataka. Acuité believes that diversified client segment, reputed clientele and experienced management are expected to support the business risk profile of APPL over the medium term.

#### Weaknesses

- **Modest scale of operations and volatile profitability**

Revenues of the company remained modest and stagnant at about Rs.20.00 crore over the past three years through FY2018. For 10MFY2019, the company reported revenues of Rs.23.00 crore and is expecting moderate growth to about Rs.25.00 crore for FY2019. Further, operating margins of the company marginally declined to 5.08 per cent in FY 2018 as compared to 5.54 percent in 2017. The same is on account of intense competition in the packaging industry on account of low entry barriers and easy availability of raw materials.

- **Working capital intensive operations**

Operations of the company are working capital intensive marked by high gross current asset (GCA) at 198 days for FY 2018 as compared to 195 days for FY 2017. This is mainly on account of high inventory maintenance which stood at 142 days in FY2018 as against 133 days in FY2017. Further, debtor's realisation cycle stood about two months for the last two years through FY2018. The same led to full utilisation of bank lines for the last six months ended January 2019. Acuité believes that the operations are expected to be working capital intensive over the medium term.

#### • Weak financial risk profile

Financial risk profile of the company is weak marked by high gearing (debt-equity), comfortable total outside liabilities to total net worth (TOL/TNW) and below average debt protections metrics. Gearing and TOL/TNW are high at 9.69 and 15.25 times as on 31 March, 2018 as against 11.81 and 17.43 times as on 31 March, 2017. The same is on account modest net worth and high reliance on working capital borrowings. Net worth is modest at Rs.0.73 crore as on 31 March, 2018 as against Rs.0.61 crore as on 31 March, 2017. Of the total debt Rs. 7.10 as on 31 March, 2018, long term debt constitutes Rs.0.18 crore, unsecured loans of Rs.0.67 crore and short term debt of Rs. 6.25 crore.

Debt protection metrics of interest coverage ratio and net cash accruals to total debt are below average at 1.34 times and 0.03 times respectively in FY2018. The company is doing capital expenditure of Rs.1.50 crore to increase the plant capacity. The same will be funded through bank loan of Rs.1.20 crore and remaining through internal accruals or through unsecured loans from promoters. The company reported cash accruals of Rs.0.20 crore for FY2018. The cash accruals are expected to be in the range of Rs.0.30-0.50 crore against maturing obligations of about Rs.0.17-Rs.0.30 crore over the medium term. Acuite believes that the financial risk profile of the company is expected to be at similar levels over the medium term.

#### Liquidity Position:

Liquidity of APPL is stretched marked by modest cash accruals to maturing obligations and high working capital cycle. It has reported cash accruals of Rs.0.20 crore in FY2018. Its expected cash accruals are in the range of Rs.0.30-0.50 crore against its repayment obligations of Rs.0.17-0.30 crore over the medium term. Its cash and bank balance stood at Rs.0.06 crore as on 31 March, 2018. Its working capital lines are fully utilised over six months through January 2019 owing to working capital intensive operations and liquidity profile continued to be stretched over the medium term.

#### Outlook: Stable

Acuite believes that APPL will maintain a 'Stable' outlook over the medium term owing to its promoter's experience in the industry. The outlook may be revised to 'Positive' in case the company registers healthy growth in the revenues while maintaining profitability and improving its capital structure through equity infusion. Conversely, the outlook may be revised to 'Negative' in case of further stretch in its working capital cycle leading to deterioration of financial risk profile and liquidity.

#### About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	20.46	19.80	19.97
EBITDA	Rs. Cr.	1.04	1.10	1.04
PAT	Rs. Cr.	0.10	0.07	0.05
EBITDA Margin	(%)	5.08	5.54	5.22
PAT Margin	(%)	0.48	0.35	0.23
ROCE	(%)	12.04	12.69	23.28
Total Debt/Tangible Net Worth	Times	9.69	11.81	13.40
PBDIT/Interest	Times	1.34	1.28	1.29
Total Debt/PBDIT	Times	6.80	6.53	6.92
Gross Current Assets (Days)	Days	198	195	187

#### 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>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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
08-Dec-2017	Cash Credit	Long Term	3.30	ACUITE B / Stable (Assigned)
	Bills Discounting	Short Term	3.00	ACUITE A4 (Assigned)
	Proposed Bank Facility	Long Term	0.70	ACUITE B / Stable (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	3.30	ACUITE B / Stable (Reaffirmed)
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4 (Reaffirmed)
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.70	ACUITE B / Stable (Reaffirmed)

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## About Acuité Ratings & Research:

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