

Press Release

IDEAL WOVENPLAST PRIVATE LIMITED

December 15, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs. 10.00 crore bank facilities of IDEAL WOVENPLAST PRIVATE LIMITED. The outlook is '**Stable**'.

The Gujarat-based companies, Ideal Wovenplast Private Limited (IWPL) and Radiant Wovenplast Private Limited (RWPL) are part of the Ideal Group of companies. Ideal Wovenplast Private Limited (IWPL), was incorporated in 2013 by Mr. Ankit Agarwal and Mr. Shubham Khetawat. The company is engaged in the manufacturing of plastic woven bags and sacks used in the packaging industry. The manufacturing facility is located at Surat, Gujarat with installed capacity of 25 tonnes per annum. The current utilisation is around 70 per cent. The other group company, Radiant Wovenplast Private Limited (RWPL) was incorporated in 2016. Promoted by Mr. Ankit Agarwal and Mr. Shubham Khetawat, it manufactures plastic woven bags and sacks used in the packaging industry. The manufacturing facility located at Surat has installed capacity of 30 tonnes per annum.

Key Rating Drivers

Strengths

• Experienced management

The company manufactures plastic woven sack bags and bags used in the packaging industry. The Directors, Mr. Ankit Agarwal and Mr. Shubham Khetawat have been in the business for the last five years through IWPL.

• Moderate financial risk profile

The financial risk profile of the group is moderate marked by net worth of Rs. 8.12 crore as on 31 March, 2017 (includes unsecured loans of Rs. 3.39 crore considered as quasi equity) as against Rs. 3.89 crore as on 31 March, 2016. The gearing stood moderate at 1.44 times as on 31 March, 2017 as against 2.88 times in the previous year. The total debt of Rs.11.67 crore outstanding as on 31 March, 2017 comprises term loan of Rs. 6.10 crore, unsecured loans from promoters of Rs. 2.19 crore and working capital borrowings of Rs.3.38 crore. The gearing of the group is expected to remain moderate considering the new term loan of Radiant Wovenplast Private limited in the books for FY2017-18. The gearing is expected to range between ~2.39 to 1.59 times over the medium term. The DSCR stood at 1.16 times in FY2017 as against 1.11 times in FY2016. The DSCR is expected to range between ~1.39 to 1.42 times going ahead. The interest coverage ratio stood moderate at 1.90 times in FY2017 as against 2.07 times in FY2016. The net cash accruals of the group are low at Rs. 1.05 crore in FY2017 as against the debt obligation of Rs.0.74 crores in the same year. The Net cash accruals/total debt ratio stood at 0.09 times in FY2017 as against 0.07 times in FY2016. SMERA believes that the group will maintain a stable financial risk profile on account of increase in net cash accruals considering the capital expenditure plan undertaken by the group.

• Comfortable working capital cycle

The working capital cycle is comfortable at 61 days in FY2017 as against 64 days in FY2016. This is on account of low inventory holding period of 46 days in FY2017 as against 41 days in FY2016. The debtor days are comfortable at 60 days in FY2017 as against 46 days in FY2015. The creditor days stood at 45 days in FY2017 as against 22 days in FY2016. However, the Gross Current Asset Days (GCA) are high at 128 in FY2017 as against 131 in FY2016. The bank limit utilisation stood at 90 percent for the last six months

SMERA Ratings Limited

Registered Office: 102, Sumer Plaza, Marol Maroshi Road, Marol, Andheri (East), Mumbai - 400 059

CIN: U74999MH2005PLC155683 | SEBI Permanent Registration No.: IN / CRA / 006 / 2011

ended August 2017.

• Comfortable profitability margins

The profitability margins are comfortable marked by healthy EBITDA margins of 9.64 percent in FY2017 as against 9.91 percent in FY2016. The margins have gone down majorly on account of increase in raw material prices. The PAT margins are also comfortable at 1.12 percent in FY2017 as against 0.43 percent in FY2016. SMERA believes that going ahead the group will maintain stable profitability margins over the medium term.

Weaknesses

• Limited track record of operations

The group has limited track record of operations as IWPL was incorporated in 2013 and RWPL in 2016. RWPL commenced commercial production from 1 September, 2017. At present all orders received by RWPL are from IWPL.

• Susceptibility of revenues and margins to volatility in global crude prices

The revenues and profitability margins of the company are susceptible to global crude prices as the major raw material for the company is PVC chemical used to manufacture plastic bags.

Analytical Approach

SMERA has considered the consolidated business and financial risk profile of Ideal Wovenplast Private limited and Radiant Wovenplast Private Limited to arrive at the rating.

Outlook: Stable

SMERA believes that the group will maintain a Stable outlook in the medium term owing to the extensive experience of its promoters. The outlook may be revised to 'Positive' in case the group achieves higher than expected revenues while sustaining its operating margins leading to improvement in the overall business risk profile. Conversely, the outlook may be revised to 'Negative' in case the working capital cycle elongates or the company registers deterioration in its financial risk profile especially liquidity.

About the Rated Entity - Key Financials

	Unit	FY17 (Provisional)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	25.73	19.07	2.31
EBITDA	Rs. Cr.	2.48	1.89	0.25
PAT	Rs. Cr.	0.29	0.08	-0.48
EBITDA Margin	(%)	9.64	9.91	10.85
PAT Margin	(%)	1.12	0.43	-20.96
ROCE	(%)	9.59	8.54	0.89
Total Debt/Tangible Net Worth	Times	1.44	2.88	2.88
PBDIT/Interest	Times	1.90	2.07	1.77
Total Debt/PBDIT	Times	4.71	5.87	33.98
Gross Current Assets (Days)	Days	128	131	533

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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.50	SMERA B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	5.96	SMERA B+ / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	0.54	SMERA B+ / Stable

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in Namita Palve Analyst - Rating Operations Tel: 022-67141129 namita.palve@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.