

Press Release

Kalyaneshwari Polyfabs Private Limited (KPPL)

March 12, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 9.80 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (**read as SMERA double B minus**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 9.80 crore bank facilities of Kalyaneshwari Polyfabs Private Limited. The outlook is '**Stable**'.

Kalyaneshwari Polyfabs Private Limited (KPPL) was established in the year of 2014 by Mr. Vijay Kumar Agarwal, Mr Rajesh Kumar Agarwal, Ms. Anita Agarwal and Ms. Puja Bansal. The company is engaged in manufacturing of Polypropylene bags with an installed capacity of 3600 MTPA. The manufacturing facility is located in Kulti district of West Bengal. The company procures its raw material PP granules from Haldia Petro Chemical Limited (HPCL) and Reliance Industries Limited. The company caters to customers such as Lafarge Cement Limited, Emami Cement Limited, Ambuja Cement Limited and UltraTech Cement Limited among others along with local rice manufacturer of West Bengal.

Key Rating Drivers

Strengths

• Experienced Management

The directors of KPPL Mr. Vijay Kumar Agarwal, Mr Rajesh Kumar Agarwal, Ms. Anita Agarwal and Ms. Puja Bansal have experience of almost a decade in manufacturing of PP bags through other entities.

• Average financial riskprofile

The average financial risk profile of the company is marked by moderate networth, high gearing and comfortable debt protection metrics. The net worth of the company stood moderate at Rs.5.17 crore in FY2017 as against Rs.4.07 crore in FY2016, mainly on account of retention of current year profit. The gearing of the company stood high at 1.83 times in FY2017 as declined from 2.53 times in FY2016. The total debt Rs.9.63 crore consist of long term debt of Rs.3.11 crore, short term debt of Rs.6.44 crore and unsecured loan of Rs. 0.08 crore from promoters. The interest coverage ratio (ICR) of the company stood comfortable at 2.90 times in FY2017 as compared to 1.38 times in FY2016. The debt service coverage ratio (DSCR) of the company stood comfortable at 1.93 times in FY2017 as compare to 1.39 times in FY2016. The net cash accruals against the total debt (NCA/TD) stand comfortable at 0.20 times in FY2017 as compare to 0.04 times in FY2016.

Weaknesses

• Working capital intensive nature of operation

The company's operations are working capital intensive in nature as reflected in gross current assets (GCA) of 169 days in 2016-17, as compare to 152 days in 2015-16. These high GCA days emanates from collection period s of 64 in FY17. The company's operations are expected to remain capital intensive, as the company is engaged manufacturing of PP bags, which are used in cement industry. This high debtor day is mainly due

to late payment realization from the customers.

• **Moderate scale of operation:**

The scale of operation stood moderate at Rs.20.91 crore in FY2017 as compare to Rs.17.56 crore in FY2016. The company has booked Rs.18.00 crore till January in FY2018 (Provisional).

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

SMERA believes KPPL will continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues while achieving sustained improvement in financial risk profile and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the firm fails to achieve the projected revenues, or in case of deterioration in the company's financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	20.91	17.56	10.93
EBITDA	Rs. Cr.	3.03	1.39	0.62
PAT	Rs. Cr.	1.20	(0.50)	(1.00)
EBITDA Margin	(%)	14.50	7.90	5.64
PAT Margin	(%)	5.74	(2.87)	(9.15)
ROCE	(%)	15.74	3.29	(2.80)
Total Debt/Tangible Net Worth	Times	1.83	2.53	2.49
PBDIT/Interest	Times	2.90	1.38	0.80
Total Debt/PBDIT	Times	3.16	7.35	18.47
Gross Current Assets (Days)	Days	169	152	270

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

NA

Any other information

NA

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	6.00	SMERA BB-/ Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.30	SMERA BB-/ Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4+

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