

Press Release

Atulya Poly Pack Private Limited

May 28, 2018

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 Atulya Poly Pack Private Limited. The outlook is '**Stable**'.

Atulya Polypack Private Limited (APPL) was incorporated in 2012 by Mr. Jayeshbhai Manilal Gokani, Mr. Lerchandbhai Gokani and Mr. Rashmikanth Valjibhai Popat. The company is engaged in manufacturing of PP (Poly Propylene) woven fabric and bags, laminated sheets BOPP (Biaxially Oriented Polypropylene) bag, HDPE (high-density polyethylene) tarpaulin among others. The company has manufacturing facility located at Rajkot (Gujarat) with production capacity of 5 tons per day.

Key Rating Drivers

Strengths

- **Efficient working capital management**

The working capital management of the company has been prudent with Gross Current Asset (GCA) of 144 days in FY2018 (provisional) as against 331 days in the previous year. This is on account of low inventory of around 32 days in FY2018 (provisional) as against 87 days in the previous year. The inventory days have improved mainly in response to increase in top line. Moreover, the debtor days have also improved considerably from 123 in FY2017 to 58 in FY2018 (provisional). The debtor days have witnessed a sharp improvement in FY2018 (provisional) mainly due to improved collection policies.

Weaknesses

- **Constrained financial risk profile**

The financial risk profile of APPL is marked by low net worth of Rs.3.57 crore in FY2018 (provisional) as against Rs.3.39 crore in FY2017. The gearing levels have been at aggressive levels of around 1.98 times in FY2018 (provisional) as compared to 2.61 times in FY2017. The debt of the company comprises of term loan to the tune of Rs.4.27 crore and short term debt to the tune of Rs.2.04 crore. The debt protection measures of the company have been modest with net cash accruals to total debt (NCA/TD) at 0.15 times in FY2018 (provisional) as against 0.12 times in the preceding year. The Interest Coverage Ratio has been at 2.45 times in FY2018 (provisional)

- **Profitability susceptible to fluctuations in raw material prices**

The major raw materials, Polypropylene (PP) and High Density Polyethylene (HDPE), are highly susceptible to the changes in the price of crude oil thus exposing the company to raw material price fluctuation risk.

Analytical Approach

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

Outlook: Stable

SMERA believes that the outlook for APPL will remain 'Stable' over medium term driven by its efficient working capital management. The outlook may be revised to 'Positive' if the company achieves significant improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of lower accruals or further deterioration of financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	19.34	11.65	14.04
EBITDA	Rs. Cr.	1.84	1.72	1.60
PAT	Rs. Cr.	0.18	-0.10	-0.25
EBITDA Margin	(%)	9.51	14.75	11.41
PAT Margin	(%)	0.94	-0.87	-1.75
ROCE	(%)	9.16	4.92	4.91
Total Debt/Tangible Net Worth	Times	1.98	2.61	2.79
PBDIT/Interest	Times	2.45	3.06	2.53
Total Debt/PBDIT	Times	3.65	5.12	6.00
Gross Current Assets (Days)	Days	141	331	198

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

None

Any other information

Not Applicable

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	3.50	SMERA B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA B+ / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA B+ / Stable

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