

Press Release

Pavani Polymers Private Limited

August 02, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 27.00 Cr.
Long Term Rating	ACUITE D

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE D**' (**read as ACUITE D**) on the Rs. 27.00 crore bank facilities of Pavani Polymers Private Limited.

Pavani Polymers Private Limited (PPPL) is a Kurnool (Andhra Pradesh) based company incorporated in 2012, promoted by Mr. Prathap Reddy Arasu and his family members. The company is engaged in the manufacturing of woven sacks and laminated sacks. The manufacturing plant located is in Nandyal with an installed capacity of 4752 metric tonnes per annum (tpm).

Key Rating Drivers

Strengths

- **Experienced management**

Pavani Polymers Private Limited was promoted by Mr Pratap Reddy Arasu and his family members. Prior to incorporation of PPPL in 2012, the Directors were in mining business for more than a decade. Further, Directors also possess around three decades of experience in logistics industry. Acuité believes that, the company will benefit from its experienced management in the medium term.

Weaknesses

- **Delays in meeting debt obligations**

The rating reflects delays in servicing of debt obligations for more than three months; and the account has been classified as non-performing asset by the Bank in the month of March 2018. Delays in debt servicing is owing to inadequate cash accruals on account of low production volumes and revenues. Further, the stretch in liquidity is also attributed to inadequate working capital limits, and delays in realisations from the customers.

- **Volatile revenues and operating losses**

Revenues of the company are volatile during the last three years through FY2018. Revenues stood at Rs. 5.75 crore for FY 2018 as against Rs. 3.18 crore in FY2017 and Rs.9.15 crore for FY2015. Volatile revenue is because of frequent shutdown of factory for want of working capital funds and liquidity issues. This resulted in company operating at sub-level and unable to recover the fixed costs, resulting in loss of Rs.9.26 crore in FY2018. Further, the volatile raw material prices and its inability to pass on the prices to customers resulted in losses.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the Pavani Polymers Private Limited to arrive at this rating.

Outlook:

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	5.75	3.18	9.15
EBITDA	Rs. Cr.	-1.53	-0.66	8.49
PAT	Rs. Cr.	-9.26	-6.80	0.31

EBITDA Margin	(%)	-26.68	-20.86	92.80
PAT Margin	(%)	-161.06	-213.96	3.44
ROCE	(%)	-14.06	-10.68	13.33
Total Debt/Tangible Net Worth	Times	-6.53	18.89	3.53
PBDIT/Interest	Times	-0.35	-0.24	2.10
Total Debt/PBDIT	Times	-25.55	-48.90	3.52
Gross Current Assets (Days)	Days	1242	2114	767

Any other information

Not Applicable

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)

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
Overdraft	Not Applicable	Not Applicable	Not Applicable	12.50	ACUITE D
Term loans	Not Applicable	Not Applicable	Not Applicable	14.50	ACUITE D

Contacts

Analytical	Rating Desk
Srihari Adari Head - Corporate and Infrastructure Sector Ratings Tel: 040-40042327 srihari.adari@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Naveen Papisetty Analyst - Rating Operations Tel: 022-67141148 naveen.papisetty@acuiteratings.in	

About Acuité Ratings & Research:

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