

Press Release

Kushal Polysacks Private Limited

August 23, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 72.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE BB minus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.72.00 crore bank facilities of Kushal Polysacks Private Limited (KPPL). The outlook is '**Stable**'.

KPPL was incorporated in 1996 by Mr. Naresh Kumar Agarwalla. Currently, the company is managed by Mr. Naresh Kumar Agarwalla, Mr. Bishnu Kumar Agarwala and Mr. Kushal Agarwal. The company was initially engaged in manufacturing of various types of PP/HDPE products. During 2011, KPPL started operating as a Del Credere Agent of Indian Oil Corporation Limited (IOCL) for Polypropylene granules. The company is engaged in the distribution of these polymer products in West Bengal, Bihar, Jharkhand, Odisha and North-Eastern states.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of KPPL to arrive at this rating.

Key Rating Drivers

Strengths

- **Long track record of operations in polymer and chemical distribution**

The company established in 1996 was initially engaged in manufacturing of various types of PP/HDPE products. In 2011, KPPL started operating as a Del Credere Agent of Indian Oil Corporation Limited (IOCL) for PP granules. This has enabled them to develop comfortable relationships with IOCL. KPPL has been awarded the Star DCA player of IOCL pan India.

- **Favourable demand outlook for polymers**

India being the third largest consumer of polymers in the world is expected to further increase with healthy growth in industries such as clothing, automobiles, polymer-based reinforcing material in construction as well as plastics, paints and coatings for the automotive sector. These factors will positively impact both the company's revenue in present and upcoming financial years.

Weaknesses

- **Average financial risk profile**

The company has average financial risk profile marked by high TOL/TNW ratio of around 5.08 times mainly on account of high working capital utilisation and moderate net worth of Rs.11.44 crore as on March 31, 2018 (Provisional) as against Rs.12.67 crore in March 31, 2017. The gearing stood high at 3.81 times as on March 31, 2018 (Provisional) as compared to 3.75 times as on March 31, 2017. The ICR stood at 1.24 times in FY2018 (Provisional), same as the previous year.

- **High working capital requirements**

As the company is a Del Credere Agent it is exposed to the inherent counterparty credit risk as the receivables of IOCL is transferred to the company; thus, resulting in high working capital requirements. The company has intensive working capital cycle marked by high Gross Current Assets (GCA) of 2248 days in FY2018 (Provisional) compared to 3234 days in FY2017. The GCA

days are mainly dominated by high debtors of 1334 days in FY2018 (Provisional) compared to 4277 days in FY2017. The high GCA days is also due to high other current assets of Rs.35.21 crore as on March 31, 2018 (Provisional) which mainly consists of loans and advances of Rs.32.70 crore.

Outlook: Stable

Acuite believes that the outlook on KPPL will remain 'Stable' over the medium term on account of established track record in the industry. The outlook may be revised to 'Positive' in case the company is able to improve its financial risk profile. On the contrary, the outlook may be revised to 'Negative' in case of deterioration of capital structure or elongated working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	12.42	6.92	27.91
EBITDA	Rs. Cr.	3.48	3.46	3.29
PAT	Rs. Cr.	0.46	0.11	0.05
EBITDA Margin	(%)	28.02	50.04	11.78
PAT Margin	(%)	3.69	1.57	0.19
ROCE	(%)	7.90	6.79	5.47
Total Debt/Tangible Net Worth	Times	3.81	3.75	3.06
PBDIT/Interest	Times	1.24	1.24	1.30
Total Debt/PBDIT	Times	9.70	10.93	11.31
Gross Current Assets (Days)	Days	2248	3234	605

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>
- Financial Ratios And Adjustments - <https://www.acuite.in/view -rating -criteria -20.htm>
- Trading Entities - <https://www.acuite.in/view -rating -criteria -6.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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	57.00	ACUITE BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A4

Cash Credit Limit (EDFS) limit will have Rs. 54.00 crore for Del Credere Agent Model and Rs. 3.00 crore for Consignment Stockist Model.

Bank Guarantee will be issued only in favour of IOCL.

Contacts

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About Acuite Ratings & Research:

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