

Press Release

Poppy's Art

October 04, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 8.33 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs. 8.33 crore bank facilities of Poppy's Art. The outlook is '**Stable**'.

Established in 1987, Poppy's Art is a partnership firm based out of Tiruppur (Tamil Nadu) engaged in dyeing of fabrics with installed capacity of 20 tons per day. The firm is promoted by Mr. Sakthivel, Mr. Sivakumar and Mr. Nachimuthu with experience of over 3 decades in this field.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the Poppy's Art to arrive at this rating.

Key Rating Drivers:

Strengths

- **Moderate financial risk profile:**

The financial risk profile is below average marked by EBITDA margin at 18.73 percent in FY2018 (Provisional) an improvement from 14.28 percent in FY2017 and PAT margin stood at 16.47 percent in FY2018 (Provisional) as against 14.5 percent in FY2017. Debt-Equity ratio stood at 0.74 times in FY2018 (Provisional) as against 0.80 times in FY2017 and TOL/TNW stood at 2.53 times in FY2018 (Provisional) as against 1.46 times in FY2017. Interest Coverage Ratio stood at 8.27 times in FY2018 (Provisional) as against 5.27 times in FY2017. Net cash accruals stood at Rs.4.69 crore in FY2018 (Provisional).

Weaknesses

- **Modest scale of operation:**

The scale of operation is modest with revenue of Rs.28.50 crore in FY2018 (Provisional) as against Rs.31.11 crore on account of early stage of operation. In spite of being in the business for more than three decades, the scale of operation remains modest. Acuité expects the scale of operation to remain modest in medium term.

- **Highly competitive and fragmented industry**

The fabric dyeing industry is highly competitive and fragmented industry with large number of organised and unorganised players. The competition is intense due to low entry barriers and low product differentiation.

Outlook: Stable

Acuité believes that Poppy's Art will maintain 'Stable' outlook over the medium term on the account of moderate financial risk profile. The outlook may be revised to 'Positive' in the case of increase in scale of operation while maintaining profitability. The outlook may be revised to 'Negative' in case of deterioration in working capital cycle or profitability.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	28.50	31.11	24.17
EBITDA	Rs. Cr.	5.34	4.44	4.29
PAT	Rs. Cr.	4.69	2.41	1.78
EBITDA Margin	(%)	18.73	14.28	17.77
PAT Margin	(%)	16.47	7.74	7.38
ROCE	(%)	44.22	22.06	17.38
Total Debt/Tangible Net Worth	Times	0.74	0.80	1.02
PBDIT/Interest	Times	8.27	5.27	3.79
Total Debt/PBDIT	Times	0.81	1.40	1.82
Gross Current Assets (Days)	Days	152	119	138

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

Not applicable

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
Term loans	Not Applicable	Not Applicable	Not Applicable	2.77	ACUITE BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB- / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	0.56	ACUITE BB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4+

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About Acuité Ratings & Research:

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