

Press Release

Nagrani Warehousing Private Limited (Unit- Manish Flexipack)

October 05, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 9.65 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**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs. 9.65 crore bank facilities of Nagrani Warehousing Private Limited (Unit- Manish Flexipack) (NWPL-MF). The outlook is '**Stable**'.

NWPL-MF was set up by Mr. Kishanchand Nagarani and family in 2013. The company is based out of Indore (Madhya Pradesh). It is engaged in manufacturing and distribution of plastic bags, particularly BOPP bags, laminated/Un-laminated sacks, Leno Bags, PP/BE Bags and wide width fabrics. The plant has an installed capacity of 2500 metric tonnes per annum.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of NWPL-MF to arrive at this rating.

Key Rating Drivers

Strengths

• Experienced management

NWPL-MF is promoted by Mr. Kishanchand Nagarani who also manages the day to day operations of the company. He has experience of around four decades. The promoter's extensive experience is also reflected through the healthy revenue growth over the last 3 years through 2017-18. The company's revenue grew at a CAGR of 7.00 percent to Rs.43.80 crore over the aforementioned period. Acuité believes that the company will continue to benefit through the promoter's extensive industry experience over the medium term.

• Average financial risk profile

The financial risk profile is marked by low net worth, moderate debt protection measures and low gearing. The net worth of the company is moderate at around Rs.8.69 crore as on 31 March, 2018 (Provisional) as against Rs.7.39 crore as on 31 March, 2017. The improvement in net worth is on account of increase in reserves which is mainly because of increase in profits. The company has followed an aggressive financial policy as reflected by peak gearing of 3.04 times over the last three years through 2017-18. The gearing of the company has further improved to around 1.80 times as on March 31, 2018 (Provisional). Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.24 times as on 31 March, 2018 (Provisional) as against 3.11 times as on 31 March, 2017. The healthy revenue levels coupled with stable operating margins have resulted in moderate debt protection measures. Interest Coverage Ratio (ICR) remained moderate at 2.73 times in FY2018 (Provisional) and 2.99 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.19 times as on 31 March, 2018 (Provisional) as against 0.13 times as on 31 March, 2017. Debt Service Coverage Ratio (DSCR) stood at 1.42 times for FY2018 (Provisional) as against 1.78 times in FY2017. Acuité believes that the financial risk profile of NWPL-MF will continue to remain moderate over the medium term on account of its improving scale of operations and moderate debt protection measures.

- **Moderate working capital nature of operation**

The working capital management is marked by Gross Current Assets (GCA) of 114 days in FY2018 (Provisional) as against 154 days in FY2017. The company maintains inventory of around 50 days on an average and extends clean credit of around 70 days to its customers, resulting in moderate GCA levels. The inventory and debtor levels stood at 50 days and 59 days in FY2018 (Provisional) as against 51 days and 80 days in FY2017, respectively. Despite this, the average utilisation of bank limits stood high at ~95 percent in the last six months. Acuité believes that the working capital requirements will continue to remain moderate over the medium term as evident from moderate collection mechanism.

Weaknesses

- **Susceptible to fluctuations in raw material prices**

NWPL-MF reported net profit margin of 2.97 percent for FY2018 (Provisional) as against 4.79 percent in the previous year. Further, operating margin stood at 7.95 percent for FY2018 (Provisional) as against 11.15 percent for FY2017. Polypropylene granules are the major raw materials used in the manufacturing process, the prices of which are highly volatile and directly dependent on crude oil prices. Also, the raw material cost constituted ~ 72.00 percent of the total sales in FY2018 (Provisional) as against ~70.00 percent in the previous year. Hence, the profitability of the firm is highly susceptible to fluctuations in raw material prices.

- **Vulnerability to increasing competition**

Polypropylene (PP) woven bag industry is intensely competitive due to low entry barriers, negligible capital and technology requirements, small gestation period, and easy availability of raw materials. The intense competition may continue to restrict scalability of operations and limit the pricing power with suppliers and customers, thereby constraining profitability.

Outlook: Stable

Acuité believes that the outlook on NWPL-MF will remain 'Stable' over the medium term on account of its promoter's extensive experience. The outlook may be revised to 'Positive' in case of substantial and sustained growth in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	43.80	37.16	35.65
EBITDA	Rs. Cr.	3.48	4.14	4.52
PAT	Rs. Cr.	1.30	1.78	1.38
EBITDA Margin	(%)	7.95	11.15	12.69
PAT Margin	(%)	2.97	4.79	3.88
ROCE	(%)	12.50	13.16	16.11
Total Debt/Tangible Net Worth	Times	1.80	2.61	3.04
PBDIT/Interest	Times	2.73	2.99	2.82
Total Debt/PBDIT	Times	3.14	4.62	3.86
Gross Current Assets (Days)	Days	114	154	125

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

Not Applicable

Any other information

None

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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BB / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	1.65	ACUITE BB / Stable (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4+ (Assigned)

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About Acuité Ratings & Research:

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