

Press Release

Nagrani Warehousing Private Limited (Unit – Manish Flexipack)

20 December, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 9.65 Cr.
Long Term Rating	ACUITE BB/Stable (Reaffirmed)
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating to '**ACUITE BB**' (**read as ACUITE double B**) and short term rating to '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs.9.65 crore of bank facilities of Nagrani Warehousing Private Limited (Unit – Manish Flexipack). 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 financial performance and business risk profile of NWPL-MF to arrive at the rating.

Key Rating Drivers:

Strengths

Experienced management

The promoter, Mr. Kishanchand Nagarani has experience of around four decades and also manages the day to day operations of the company. The promoter's extensive experience is also reflected through the healthy revenue growth over the last 2 years from FY'17 till FY'19. The company's revenue grew at a compound annual growth rate (CAGR) of 14.52 percent to Rs.55.81 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.

Comfortable risk profile

The financial risk profile of the company is marked by moderate Net worth, moderate gearing and strong debt protection metrics. The net worth of the company stood moderate at Rs 11.19 crore in FY2019 as increased from Rs. 8.69 crore in FY2018, mainly on account of accumulated profit. The gearing of the company stood moderate at 1.54 times in FY2019 as compared to 1.80 times in FY2018. The total debt of Rs. 17.24 crore consist of long term loan of Rs. 0.73 crore, short term debt of Rs.8.61 crore and unsecured loan from promoters of Rs. 7.90 crore as on 31st March 2019. The interest coverage ratio (ICR) of the company stood at 3.34 times in FY2019 as compared to 2.73 times in FY2018. The debt service coverage ratio (DSCR) of the company stood comfortable at 1.90 times in FY2019 as compared to 1.42 times in FY2018. The net cash accruals against the total debt stand moderate at 0.24 times in FY2019 as compared to 0.19 times in FY2018. Acuité believes the financial risk profile of the company will be comfortable based on no major capex plan over the medium term.

Weaknesses

Moderate working capital management

The operations of the company are moderately working capital intensive which is evident from high gross current asset (GCA) days of 118 days in FY2019 as against 114 days in FY2018. This is mainly on account of moderate inventory holding period which stood at 55 days and 50 days for FY2019 and FY2018 respectively. The debtor days has also stands moderate at 58 in FY2019 as compared to 59 in previous year.

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.

Rating Sensitivity

- Working capital management

Material Covenant

None

Liquidity Position: Adequate

The company has adequate liquidity marked by modest net cash accruals of Rs.4.19 crore as against Rs.0.54 crore of yearly debt obligation. The cash accruals of the company are estimated to remain in the range of around Rs. 2.79 crore to Rs. 3.53 crore during 2020-22 against no major repayment obligations during the period. The working capital of the company is moderate marked by gross current asset days of 118 in FY2019. The bank limit is 100 per cent utilized by the company and the company maintains unencumbered cash and bank balances of Rs. 0.20 crore as on March 31, 2019. The current ratio of the company stood at 1.37 times as on March 31, 2019. Acuite believes that the liquidity of the company is likely to remain healthy over the medium term on account of healthy cash accruals against no major debt repayments over the medium term.

Outlook: Stable

Acuite 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	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	55.81	43.80
PAT	Rs. Cr.	2.51	1.30
PAT Margin	(%)	4.49	2.97
Total Debt/Tangible Net Worth	Times	1.54	1.80
PBDIT/Interest	Times	3.34	2.73

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings / Outlook
05-Oct-2018	Cash Credit	Long Term	7.00	ACUITE BB/Stable (Assigned)
	Term Loan	Long Term	1.65	ACUITE BB/Stable (Assigned)
	Bank Guarantee	Short Term	1.00	ACUITE A4+ (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BB/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.65	ACUITE BB/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4+ (Assigned)

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About Acuité Ratings & Research:

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