

## Press Release

Gopala Polyplast Limited

December 04, 2018

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 84.00 Cr.
<b>Long Term Rating</b>	ACUITE BB / Outlook: Stable
<b>Short Term Rating</b>	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. 84.00 crore bank facilities of Gopala Polyplast Limited (GPPL). The outlook is '**Stable**'.

GPPL, established in 1984, is based at Ahmedabad (Gujarat). The company manufactures polypropylene/high density polyester woven sacks, which are used in cement packaging and is also engaged in manufacturing of woven labels, which are fitted onto readymade garments. GPPL has two finishing units located at Abu Road (Rajasthan) and Silvassa (Dadra). The company has an installed capacity of 18210 MTPA in its woven sacks division and 14 weaving looms in its label division. The company also has a 1.024 MW natural gas based captive power plants.

### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the GPPL to arrive at the rating.

### Key Rating Drivers

#### Strengths

- **Established track record and experienced management**

GPPL incorporated in 1984 has operational presence of more than three decades in the said line of business. The established presence of the company has helped to build a market position and developed healthy longstanding relationships with reputed clients. The Directors of the company are Mr. Manoj Somani, Mr. Manish Somani, Mr. Mahendra Somani and Mr. Kishorilal Sonthalia among others. The company is managed by Somani family since inception and all the directors have more than two decades of experience in same line of business.

- **Reputed and diversified clientele**

The company caters to client in cement, sugar, agro companies, garment manufactures and various state governments. It caters to reputed client from cement industries such as Ultratech Cement Limited, J.K.Lakshmi Cement Limited, ACC Limited, Shree Cement Limited and Ambuja Cements Limited among others. The company also caters to State Government of Punjab and Madhya Pradesh. Further, their products are exported to the clients located in USA and Oman.

- **Diversified product mix**

GPPL's operations are not only restricted to manufacturing and selling of woven sacks, fabrics but it also manufactures linear bags, labels used in garments and AD Star Bags used in cement industry. The company has diversified product line which reduces concentration risk.

## Weaknesses

- **Moderate financial risk profile**

The financial risk profile of the company is moderate marked by net worth of Rs.38.53 crore as on 31 March, 2018 (includes unsecured loans from promoters of Rs.8.68 crore) as against Rs.23.92 crore as on 31 March, 2017 (includes unsecured loans from promoters of Rs.3.42 crore). The gearing (debt-equity) stood high at 2.65 times as on 31 March, 2018 and 3.95 times as on 31 March, 2017. The total debt is Rs.102.08 crore as on 31 March, 2018 as against Rs.94.42 crore as on 31 March, 2017. The interest coverage ratio stood at 2.14 times for FY2017-18 and 1.74 times for FY2016-17. Total outside Liabilities to Tangible Net Worth (TOL/TNW) stood at 3.83 times for FY2017-18. Current Ratio stood at 1.20 times for FY2017-18 as against 1.12 times for FY2016-17.

- **Modest working capital cycle**

GPPL's operations are moderately working capital intensive in nature which is evident from Gross Current Assets (GCA) of 195 days during FY2018 which has increased from 138 days in FY2017. These necessitates working capital requirement as major funds gets blocked in its debtors. Debtor days stood at 98 days in FY2018 as compared to 75 days in FY2017.

- **Competitive industry and margins susceptible to crude oil price fluctuation**

The company is engaged in the manufacturing and supply of polypropylene/high density polyester woven sacks. This industry is marked by the presence of large number of players and has very low entry barriers. The major raw material for manufacturing Polystyrene and Polypropylene is based on Crude oil prices. The margins are susceptible to crude oil price changes. Crude oil prices are forecasted to rise with U.S. abandoning Iran nuclear deal and increasing Middle East political instability. This exposed the company to competitive pressure and may impact margins. However, the company has made necessary arrangements to pass on the effect of increase in raw material prices to its customers.

## Outlook: Stable

Acuite believes that GPPL will continue to maintain a 'Stable' outlook owing to its experienced management. The outlook may be revised to 'Positive' in case of higher than expected growth in revenues and profit margins while maintaining efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues and profitability or deterioration in the financial risk profile.

## About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	266.95	313.69	308.70
EBITDA	Rs. Cr.	24.91	15.77	15.64
PAT	Rs. Cr.	7.09	1.15	0.32
EBITDA Margin	(%)	9.33	5.03	5.07
PAT Margin	(%)	2.66	0.37	0.10
ROCE	(%)	14.61	9.53	16.71
Total Debt/Tangible Net Worth	Times	2.65	3.95	4.17
PBDIT/Interest	Times	2.14	1.74	1.73
Total Debt/PBDIT	Times	4.22	5.63	6.04
Gross Current Assets (Days)	Days	195	138	129

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

Not Any

## Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	54.00	ACUITE BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	17.70	ACUITE BB / Stable
Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A4+
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4+
Proposed Facility	Not Applicable	Not Applicable	Not Applicable	4.80	ACUITE A4+

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### About Acuité Ratings & Research:

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