

Press Release

Gopala Polyplast Limited

May 10, 2019

Rating Update



Total Bank Facilities Rated*	Rs. 84.00 Cr.
Long Term Rating	ACUITE D (Downgraded from ACUITE BB)
Short Term Rating	ACUITE D (Downgraded from ACUITE A4+)

* Refer Annexure for details

Rating Rationale

Acuite has downgraded the long-term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE BB**' (read as **ACUITE double B**) and short term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE A4+**' (read as **ACUITE A4 plus**) to the Rs. 84.00 crore bank facilities of Gopala Polyplast Limited (GPPL). The rating update is based on best available information on exchange and public domain.

Acuite has downgraded the ratings on the bank facilities of Gopala Polyplast Limited (GPPL) based on delays in servicing of current debt obligation and the company's intimation to the exchange vide its press release dated 8th May 2019 about the Initiation of Corporate Insolvency Resolution Process (CIRP) by the operational creditor.

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

Acuite 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 clients in cement, sugar, agro companies, garment manufactures and various state governments. It caters to reputed clients from cement industries including 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 and 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 stood at 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 FY 2017-18 and 1.74 times for FY 2016-17. Total outside Liabilities to Tangible Net Worth stood at 3.83 times for FY 2017-18. Current Ratio stood at 1.20 times for FY20 17-18 as against 1.12 times for FY20 16-17.

• 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 in FY 2018 as compared to 75 in FY 2017.

• Competitive industry and margins susceptible to crude oil price fluctuation

The company is engaged in 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 price is forecasted to rise with US 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.

Liquidity Position:

GPPL's liquidity profile is marked by net cash accruals which stood at Rs.12.80 crore as against repayment obligations of Rs.9.38 crore in FY2018. The operations of the company are moderately working capital intensive in nature, which is evident from increase in Gross Current Assets (GCA) days to 195 in FY2018 as against 138 in FY2017. However, Acuite believes that ongoing delays in debt servicing and Initiation of Corporate Insolvency Resolution Process (CIRP) process by the operational creditor against the company for non-payment of dues have significantly impacted the operations of the company. Thus, signifies ongoing liquidity issues faced by the company.

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)

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
04-Dec-2018	Cash Credit	Long Term	54.00	ACUITE BB/ Stable (Assigned)
	Term loans	Long Term	17.70	ACUITE BB/ Stable (Assigned)
	Letter of Guarantee	Short Term	6.00	ACUITE A4+ (Assigned)
	Bank guarantee	Short Term	1.50	ACUITE A4+ (Assigned)
	Proposed Facility	Short Term	4.80	ACUITE A4+ (Assigned)

*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 D (Downgraded from ACUITE BB)
Term loans	Not Applicable	Not Applicable	Not Applicable	17.70	ACUITE D (Downgraded from ACUITE BB)
Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE D (Downgraded from ACUITE A4+)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE D (Downgraded from ACUITE A4+)
Proposed Facility	Not Applicable	Not Applicable	Not Applicable	4.80	ACUITE D (Downgraded from ACUITE A4+)

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About Acuité Ratings & Research:

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