

Press Release

Sri Durga Bhavani Polymers

January 14, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 11.00 Cr.
Long Term Rating	ACUITE B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' (**read as ACUITE B**) to the Rs. 11.00 crore bank facilities of Sri Durga Bhavani Polymers (SDBP). The outlook is '**Stable**'.

Established in 2016, SDBP is a Warangal (Telangana) based partnership entity promoted by Mr. Ram Mohan. The entity is engaged in the business of manufacturing tarpaulin sheets. The entity's facility is located in Warangal with an installed capacity to manufacture 240 tons per month. The entity majorly supplies the sheets to Department of Agriculture, Government of Telangana. The entity started the commercial production on October 15, 2017.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

SDBP is promoted by Mr. Ram Mohan who possess around two decades of experience in supply of agricultural implements and others to Department of Agriculture, Government of Telangana. With the experience, the promoter diversified into manufacture of Tarpaulins and secured large work order of Rs.45.00 crore from Government of Telangana. Acuité believes that SDBP will enjoy promoter's experience to improve the business risk profile over the medium term.

Weaknesses

- **Weak financial risk profile**

The financial risk profile is marked by high total outside liabilities to total net worth (TOL/TNW), gearing (debt-to-equity), and modest debt protection metrics. TOL/TNL is high at 15.41 times as on March 31, 2018. Gearing is high at 14.56 times as on March 31, 2018; high due to first year of operations and modest net worth of Rs.0.58 crore as on 31 March, 2018. Debt protection metrics of interest coverage ratio (ICR) and net cash accruals to total debt (NCA/TD) are modest at 1.52 times and 0.01 times respectively for FY2018. Acuité believes that the financial risk profile is expected to improve over the medium term due to stabilisation of operations and improving revenue profile.

- **Intense working capital operations**

The entity has intense working capital operations as evident from Gross Current Asset (GCA) days of 717 as on March 31, 2018. The inventory days are at 462 in FY2018. The entity's debtor days stood at 102 days as on March 31, 2018, while SDBP provides credit period of 60 days to its customers. High GCA lead to full utilisation of working capital limits over the past six months ended December 2018. Acuité believes that the working capital operations are expected to be moderate over the medium term with stabilisation of operations and improvement of revenues.

- **Nascent scale of operations**

The entity started operations from October 2017 and generated revenue of Rs.1.19 crore. The entity generated revenue of about Rs.8.00 crore through 9MFY2019 and is expecting total revenue of

Rs.20.00 crore in FY2019. SDBP's revenues are modest in the highly fragmented plastic product industry. The industry is dominated by several organised and unorganised players with healthy revenues. Acuité believes that sustaining the profitability while improving its revenues are key rating sensitivity factors.

Outlook: Stable

Acuité believes that SDBP will maintain a 'Stable' outlook over the medium term from its promoter's industry experience. The outlook may be revised to 'Positive' in case of significant growth in the revenues while improving its capital structure. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital operations or lower than expected cash accruals leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)
Operating Income	Rs. Cr.	1.19
EBITDA	Rs. Cr.	0.26
PAT	Rs. Cr.	-0.34
EBITDA Margin	(%)	21.86
PAT Margin	(%)	-28.50
ROCE	(%)	-3.71
Total Debt/Tangible Net Worth	Times	14.56
PBDIT/Interest	Times	1.52
Total Debt/PBDIT	Times	32.68
Gross Current Assets (Days)	Days	717

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

None

Any other information

None

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>

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 B / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	3.94	ACUITE B / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.06	ACUITE B / Stable

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About Acuité Ratings & Research:

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