

Press Release

Tricon Polyfabs Private Limited

January 28, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 18.25 Cr.
Long Term Rating	ACUITE B / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs. 18.25 crore bank facilities of Tricon Polyfabs Private Limited (TPPL). The outlook is '**Stable**'.

West Bengal based TPPL was incorporated in 2014 by Mr. Surendra Agarwal and Mr. Rabindra Agarwal. The company is engaged in manufacturing of polypropylene woven bags, polypropylene woven fabric and biaxially oriented polypropylene bags, among others. The commercial operations of the company started from February, 2017. The manufacturing unit is located in the Burdwan district of West Bengal with an installed capacity to produce around 4000 MT annually.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

The company is promoted by Mr. Surendra Agarwal and Mr. Rabindra Agarwal who possesses more than two decades of experience in the plastic and plastic products industry by virtue of employment in other business which were engaged in the same line of business which is mainly trading.

Weaknesses

- **Nascent stage of operations**

The company reported operating revenue of Rs. 32.87 crore in FY018 which was its full year of commercial operations as compared to Rs. 5.76 crore in FY2017. The company has clocked around Rs. 32.26 crore during April to December 2018 (prov.)

- **Below average financial risk profile**

The financial risk profile of the company is below average marked by low tangible net worth of Rs.4.08 crore as on March 31, 2018 which includes Rs.3.49 crore of unsecured loans from promoters. Acuité has treated the unsecured loans as quasi equity as this is subordinated to bank debt. The total debt of Rs.22.15 crore outstanding as on 31 March, 2018 comprises of working capital borrowings from the bank of Rs.7.61 crore, unsecured loans from directors and others of Rs.7.33 crore and term loan of Rs.7.21 crore. The gearing stood high at 5.43 times as on 31 March, 2018 as against 23.04 times as on 31 March, 2017. Interest Coverage Ratio stood at 1.92 times in FY2018 as against 1.21 times in FY2017. DSCR stood at 1.88 times in FY2018 as against 1.66 times in FY2017. The NCA/TD ratio stood at 0.08 times in FY2018.

- **Profitability susceptible to volatility in raw material prices**

TPPL's profitability is susceptible to volatility in raw material prices as price of PP granules used in making woven bags and sacks are directly linked to volatility in crude oil prices. Moreover, TPPL is

dominated by small as well large players in the plastic industry which impacts the bargaining power with the customers.

Outlook: Stable

Acuite believes that TPPL will maintain a 'Stable' outlook over the medium term from its promoters' extensive industry experience. The outlook may be revised to 'Positive' in case of significant improvement in the company's operations and financial risk profile. Conversely, the outlook may be revised to 'Negative' if TPPL's revenue and profitability declines or if its financial risk profile weakens.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	32.87	5.76	0.00
EBITDA	Rs. Cr.	3.68	0.26	0.00
PAT	Rs. Cr.	(0.42)	0.02	0.00
EBITDA Margin	(%)	11.20	4.49	-
PAT Margin	(%)	(1.28)	0.39	-
ROCE	(%)	6.23	2.09	-
Total Debt/Tangible Net Worth	Times	44	23	-
PBDIT/Interest	Times	81	171	-
Total Debt/PBDIT	Times	6.94	87.34	-
Gross Current Assets (Days)	Days	121	515	-

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>
- 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	8.00	ACUITE B / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	7.30	ACUITE B / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.95	ACUITE B / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4

Contacts

Analytical	Rating Desk
<p>Pooja Ghosh Head - Corporate and Infrastructure Sector Ratings Tel: 033-6620 1203 pooja.ghosh@acuite.in</p> <p>Debalina Maity Analyst - Rating Operations Tel: 033-66201212 debalina.maity@acuite.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.