

Press Release

Royal Touch Fablon Private Limited

March 14, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 100.00 Cr.
Long Term Rating	ACUITE BBB / Outlook: Stable
Short Term Rating	ACUITE A3+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB**' (**read as ACUITE triple B**) and short term rating of '**ACUITE A3+**' (**read as ACUITE A three plus**) to the Rs. 100.00 crore bank facilities of ROYAL TOUCH FABLON PRIVATE LIMITED (RTPL). The outlook is '**Stable**'.

Incorporated in 1999, RTPL is a Kolkata based company engaged in manufacturing of high-density polyethylene (HDPE), low-density polyethylene (LDPE) and polypropylene (PP) woven bags, and flexible intermediate bulk containers (FIBC)/ jumbo bags with annual installed capacity of 27,000 MT. The company is promoted by the Kandoi family and the operations are currently managed by Mr. Vikas Kandoi and Mr. Prakash Kandoi.

Analytical Approach

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

Key Rating Drivers

Strengths

- Experienced management and long track record**

The company has a long track record of over two decades, being in the business since 1999, resulting in an established market position especially in the eastern parts of India. Further, the long track record has enabled the company to establish a strong relationship with customers and suppliers.

- Established market position backed by diversified product profile, healthy revenue and diversified client base**

The company has an established market position in eastern India backed by diversified product profile were it manufactures high-density polyethylene (HDPE), low-density polyethylene (LDPE) and polypropylene (PP) woven bags. Further, for the flexible intermediate bulk containers (FIBC)/ jumbo bags, the company has an export base in European markets contributing ~ 20 per cent of total revenues. The established market position is also reflected from the healthy revenue base of over Rs.300.00 crore during the last three year (FY 2016-2018) and diversified client base were it caters to different sectors including cement, retail, petrochemicals, tea and chemicals to name a few.

- Above average financial Risk Profile**

The above average financial risk profile is marked by moderate net worth and gearing and comfortable debt protection measures. Though the financial risk profile stood moderate, Acuité noticed a consistent improvement in the financial risk profile during the last three year. The net worth of the company improved to Rs.64.30 crore as on 31 March, 2018 as against Rs.59.26 crore in the previous year. The increase in net worth is on account of retention of profit. Gearing (Debt-equity) stood moderate at 1.30 times as on March 31, 2018 as compare to 1.53 times in the previous year. However, there has been improvement in debt-equity ratio in the last two financial years mainly on account of lower utilisation of working capital limit due to better inventory management. The debt protection metrics is comfortable reflected from interest coverage ratio of 2.38 times in FY2018 as against 2.12 times in FY2017. DSCR stood at 1.30 times as per the financial of FY 2018 as compared to 1.22 times a year earlier.

Weaknesses

- **Dip in profitability metrics**

The operating profitability has dipped in the last three financial years to 5.84 per cent in FY 2018 from 6.98 per cent in FY 2016. The dip in operating margins was due to increase in overhead cost. However, going forward, the margins are expected to improve with the increase in export market sales where realisation is higher and reduction in power cost. Though there has been a dip in operating margins, the company has deleveraged its balance sheet in the last three years, thereby reducing interest cost burden and maintaining the net profit at the same level. Improvement in profitability coupled with improvement in net cash accruals will be a key credit monitorable.

- **Moderate Working capital management**

The operations of the company are moderately working capital intensive reflected from the GCA days of 156 in FY 2018 as against 151 days in FY 2017. The GCA days are on account of inventory of 84 days as on 31 March, 2018 as compare to 82 days as on 31 March, 2017. RTPL's inventory level continued to remain at moderate level, which primarily consists of semi-finished bags. Also, since there are diversified products with various shapes and sizes, the WIP remains high. The debtor days almost remained in line at ~45-60 days were the company provides credit of 10-90 days for its domestic customers, and for export customer's, payment are received under cash against documents. The company makes payments to its domestic suppliers within 5-30 days, and imports against LC at sight. The working capital intensity is further reflected from ~ 96 per cent utilisation of the working capital limit during 12 months ended December, 2018.

Liquidity:

The company has moderate liquidity profile marked by net cash accruals in the range of ~ Rs.8.00 crore during the last the year (FY 2016-2018) crore against its Rs 4.50 crore debt obligations during the same period. The fund based working capital limit remains utilised at ~ 96 per cent level of during the 12 months period ended December 2018.

Outlook: Stable

Acuité believes that RTPL will maintain 'Stable' outlook over the medium term from experienced management and establish market position. The outlook may be revised to 'Positive' in case the company registers growth in revenues while improving its profitability and working capital management. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in profitability, thereby deterioration in financial risk profile or if the working capital cycle further elongates.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	302.31	317.48	312.11
EBITDA	Rs. Cr.	17.64	20.41	21.80
PAT	Rs. Cr.	5.25	4.95	5.54
EBITDA Margin	(%)	5.84	6.43	6.98
PAT Margin	(%)	1.74	1.56	1.78
ROCE	(%)	10.42	11.58	24.77
Total Debt/Tangible Net Worth	Times	1.30	1.53	1.50
PBDIT/Interest	Times	2.38	2.12	1.93
Total Debt/PBDIT	Times	4.37	4.25	4.17
Gross Current Assets (Days)	Days	156	151	161

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

CRISIL vide its press release dated 27 August, 2018 has mentioned the rating of RTFPL to 'CRISIL BB+/Stable/A4+' Issuer not cooperating.

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	31.50	ACUITE BBB / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.50	ACUITE BBB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.75	ACUITE BBB / Stable
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	20.25	ACUITE BBB / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A3+
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A3+
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A3+
Proposed	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A3+

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About Acuité Ratings & Research:

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