

Press Release

Shri Dakshineshwari Maa Polyfab Limited

May 13, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 85.00 Cr.
Long Term Rating	ACUITE BBB/ Outlook: Stable
Short Term Rating	ACUITE A3+

* Refer Annexure for details

Rating Rationale

Acuite 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. 85.00 crore bank facilities of Shri Dakshineshwari Maa Polyfab Limited (SDMPL). The outlook is '**Stable**'.

Incorporated in 2018, SDMPL began its operations from May 2018 and is engaged in manufacturing of bulk packaging material such as polypropylene (PP) and high density polyethylene (HDPE) woven bags and blocks bottom bags. The manufacturing capacity stands at 8400 metric tonne per annum (MTPA). SDMPL is promoted by Sajjan Bansal and Rajesh Kumar Sharma among others.

About the group

Shri Maa Group is an Asansol based group which started its operations in 2002 and has since been engaged in manufacturing of PP /HDPE bags, woven sack and fabrics among others. The group comprises of Asansol Polyfabs Limited (2002), Shri Maa Polyfabs Limited (2005), Hariom Polypacks Limited (2012) and Shri Dakshineshwari Maa Polyfabs Limited (2018). The promoters, Mr. Sajjan Bansal and Mr. Rajesh Kumar Sharma, have been involved in the business for over a decade.

Analytical Approach:

Acuite has considered the consolidated financial and business risk profile of Asansol Polyfabs Private Limited (APPL), Shri Maa Polyfabs Limited (SMPL), Hariom Polypacks Private Limited (HPPL) and Shri Dakshineshwari Maa Polyfabs Limited (SDMPL). The group is herein being referred to as Shri Maa group. The same is on account of common management, same line of operations and significant operational and financial linkages. Extent of consolidation: Full

Key Rating Drivers

Strengths

• Established track record and experienced management

Shri Maa group has an established track record of more than a decade in the HDPE/PP bags and woven sacks segment. The group currently has the highest capacity in the HDPE/PP woven manufacturing segment in Eastern India. The established position and extensive experience of promoters has resulted in long standing relationship with suppliers and reputed clientele across sectors. This same is further reflected in steady year on year growth of 10-15 percent in operating revenue and continuous high capacity utilization of enhanced facilities. The operating revenue increased from Rs.184.38 crore in FY 2015-2016 to Rs.237.86 crore in FY 2017-2018.

• Reputed clientele

Shri Maa Group caters to reputed clients based in Eastern India Southern India. The group generates over 70 percent of its revenue from the cement industry. It caters to Birla Cement Limited, JSW Cement Limited, Ultra Tech Cement Limited, Ambuja Cement Limited and Dalmia Cement Limited among others. The group also caters to retail chains such as Future Retails Limited, Reliance Retail Limited and Dollar Industries Limited.

• Above average financial risk profile

Shri Maa group's financial risk profile is moderate marked by healthy net worth, comfortable

gearing and modest debt protection metrics. The net worth stood at Rs.94.42 crore as on 31 March, 2018 as against Rs.73.15 crore as on 31 March, 2017. The gearing stood at 1.37 times as on 31 March, 2018 compared to 1.00 times as on 31 March, 2017. The same is expected to improve with repayment of long term debt in medium term backed by steady cash accruals. The total debt of Rs.129.63 crore comprised of long term borrowings of Rs.75.24 crore, unsecured loans infused by promoters of Rs.3.62 crore and working capital borrowings of Rs.50.78 crore as on March 31, 2018. The debt protection metrics remained modest with interest coverage ratio at 2.33 times in FY2018 as against 2.34 times in FY2017. The debt service coverage ratio remained modest at 1.10 times as on March 31, 2018 as against 1.15 times in the previous year. Net cash accruals stood at 0.09 times as on March 31, 2018.

Weaknesses

• Moderate working capital nature of operations

Shri Maa group's working capital operations are moderate marked by gross current asset (GCA) of 156 days in FY2018 as against 133 days in FY2017. The same is on account of inventory of 42 days and credit extended to customers of 63 days in FY2018. The GCA days are expected to remain at similar levels over the medium term as credit of 45-60 days is offered to regular customers. Also, inventory of various types of bags/sacks needs to be maintained.

Liquidity Profile:

Shri Maa Group has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.11.32 crore during FY2017-18, while its maturing debt obligations stood at Rs.10.73 crore over the same period. The cash accruals of the company are estimated to remain comfortable to meet its repayment obligations during 2019-21. The cash credit limit in the company remains utilised at around 92 percent during the last 6-month period ended February, 2019. The company maintains unencumbered cash and bank balances of Rs.4.02 crore as on March 31, 2018. The current ratio of the company stands low at 0.98 times as on March 31, 2018. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accrual sufficient to meet its repayments over the medium term. Also, the company does not have any significant debt funded capex plans over the medium term.

Outlook: Stable

Acuite believes that Shri Maa Group will maintain a 'Stable' outlook over the medium term owing to its promoters' extensive experience in the industry and longstanding relations with reputed clientele. The outlook may be revised to 'Positive' in case the company achieves more than envisaged sales and profitability while efficiently managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and profitability or the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirement.

About the Rated Entity - Key Financials (Consolidated)

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	237.86	200.85	184.38
EBITDA	Rs. Cr.	22.73	20.42	18.30
PAT	Rs. Cr.	4.78	4.00	4.24
EBITDA Margin	(%)	9.56	10.17	9.93
PAT Margin	(%)	2.01	1.99	2.30
ROCE	(%)	9.26	10.22	18.65
Total Debt/Tangible Net Worth	Times	1.29	1.00	1.17
PBDIT/Interest	Times	2.33	2.34	2.16
Total Debt/PBDIT	Times	5.15	3.49	4.09
Gross Current Assets (Days)	Days	156	133	140

About the Rated Entity - Key Financials (Standalone)

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	-	-	-
EBITDA	Rs. Cr.	(0.66)	(0.12)	-
PAT	Rs. Cr.	(1.99)	(0.12)	-
EBITDA Margin	(%)	-	-	-
PAT Margin	(%)	-	-	-
ROCE	(%)	(1.64)	(5.76)	-
Total Debt/Tangible Net Worth	Times	1.70	-	-
PBDIT/Interest	Times	(0.46)	(58.89)	-
Total Debt/PBDIT	Times	(72.78)	-	-
Gross Current Assets (Days)	Days	-	-	-

Any other information

Not Applicable

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>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.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	20.00	ACUITE BBB / Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	55.00	ACUITE BBB / Stable
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A3+
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A3+

Contacts

Analytical	Rating Desk
Pooja Ghosh Head–Corporate and Infrastructure Sector Rating's Tel: 033-6620-1203 pooja.ghosh@acuite.in Swati Banthia Analyst - Rating Operations Tel: 033-6620-1211	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

swati.banthia@acuiteratings.in

About Acuité Ratings & Research:

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