Press Release

Shri Dakshineshwari Maa Polyfab Limited (SDMPL)

04 June, 2020

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 87.89 Cr. (Enhanced from Rs.85.00 crore)
Long Term Rating	ACUITE BBB/Stable (Reaffirmed)
Short Term Rating	ACUITE A3+ (Reaffirmed)

** Refer Annexure for details*

Rating Rationale

Acuité has reaffirmed the 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.87.89 crore of bank facilities of Shri Dakshinswari Maa Polyfabs Limited. The outlook is **'Stable'**.

Incorporated in 2016 by Mr. Sajjan Bansal and Mr. Rajesh Kumar Sharma, Hooghly (West Bengal) based Shri Dakshineswari Maa Polyfabs Limited (SDMPL) is engaged in manufacturing of printed plastic bags, Leno bags, Cement bags and Adprotex Bags made of polypropylene (PP) and high density polypropylene (HDPE). The company manufacturing facilities located in Hooghly with the installed capacity of 8400 MTPA.

About the Group

Shri Maa Group is an Asansol based group which was started its operations in 2002 and has since been engaged in manufacturing of PP /HDPE, woven sack, fabrics, leno bags and non-woven sacks among others. The group comprises of Asansol Polyfabs Private Limited (2002), Shri Maa Polyfabs Limited (2005), Hariom Polypacks Limited (2012) and Shri Dakshineswari Maa Polyfabs Limited (2018). The promoters, Mr. Sajjan Bansal and Mr. Rajesh Kumar Sharma, have been involved in the business for past 18 years. Currently the group has also started manufacturing of face mask for Reliance Retail Limited and Personal Protective Equipment (PPE) kit for Govt. of West Bengal.

Analytical Approach:

Acuité 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 Dakshineswari 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

Experienced management

Shri Maa Group has an established market presence since 2002 and the directors of the group Mr. Sajjan Bansal and Mr. Rajesh Kumar Sharma have about 18 years of experience in the packaging industry. This helped the group to create healthy relations with reputed suppliers and reputed customers over the years.

Healthy financial risk profile

The healthy financial risk profile of the group is marked by healthy net worth, moderate gearing and healthy debt protection metrics. The net worth of the company stood healthy at Rs.103.82 crore in FY2019 as compared to Rs.94.51 crore in FY2018. This improvement in Networth is mainly due to retention of current year profit. The gearing of the group stood at 1.58 times as on March 31, 2019 when compared to 1.36 times as on March 31, 2018. The gearing of the group has increased mainly on account of increase in long term debt during the period of FY2019. The total debt of Rs 164.11 crore in FY2019 is consist long term loan of Rs.80.58 crore, short term loan of Rs.79.94 crore, and unsecured loan from promoters of Rs3.60 crore. Moreover, the gearing of the company has improved and stood at 1.21 times as on 31st March 2020 (Prov.) Interest coverage ratio (ICR) is comfortable and stood at 2.17 times in FY2019 as against 2.23 times in FY 2018. The interest coverage ratio of the group again improved to 2.56 times in FY2020 (Prov.). The debt service coverage ratio (DSCR) also stood comfortable at 1.24 times in FY2019 as against of 1.10 times in FY2018. However, The debt service coverage ratio (DSCR) of the group stood at same level at 1.23 times in FY2020 (Prov.) The net cash accruals to total debt (NCA/TD) stood comfortable at 0.11 times in FY2019 as compared to 0.09 times in the previous year. Acuité believes the financial risk profile of the company will be healthy backed by increasing accruals and no major debt funded capex plan.

Healthy operating revenue and profitability
The operating revenue of the group stood healthy at Rs.349.49 crore in FY2019 as against of Rs.237.85 crore in FY2018. The group has booked Rs.384.50 crore till 31st March 2020 (Prov.). This improvement in revenue for FY2020 (Prov.) is mainly on account of increase in capacity utilization to 96 per cent from 86 per cent in the previous year. The operating profit margin of the group has increased and stood healthy at 10.33 per cent in FY2019 as compared to 9.89 per cent in the previous year. Moreover, the operating margin has increased and stands healthy at 11.35 per cent till 31st Mar 2020 (Prov.). However, the net profitability of the group has declined marginally to 1.76 per cent in FY2019 as compared to 2.01 per cent in previous year backed by high interest cost during FY2019.

The group has started manufacturing of face mask and Personal Protective Equipment (PPE) kit since mid of March 2020 that ensuring the steady demand during the lockdown .However, there is no major impact on the raw material consumption due to COVID 19 pandemic, because most of the polypropylene produced domestically and not come from China, so the raw material is easily available in the domestic market. Moreover, the group majorly supplies to the cement manufacturing units which are allowed to operate from mid of April 2020 which also enable to get the regular order for the customers.

Weaknesses

Moderate Working Capital Management
The working capital management of the group is moderate marked by moderate gross current asset days (GCA) of 135 days in FY2019 as compared to 152 days in FY2018. The inventory days are comfortable at 43 days in FY2019 as compared to 42 days in FY2018. The inventory days are also comfortable at 44 days in FY2020 (Prov.) The debtor days are also stood moderate at 68 days in FY2019 and 63 days in FY2018 respectively. The debtor days has slightly improved and stands moderate at 62 days in FY2020 (Prov.). However, the GCA days stood high mainly on account of high other current assets of Rs.23.00 crore, mainly comprises balance with Govt. authorities of Rs.17.14 crore, Loans and advances of Rs.1.39 crore and other current asset of Rs.4.47 crore as on 31st March 2019. The current ratio of the group has been very low in the past 3 years till FY'20 (Prov). Acuité believes that the maintenance of current ratio at least above 1 time would be a key monitorable of the group. Any significant deviations in maintaining the expected levels is likely to impart a negative bias to the rating.

Competitive and fragmented nature of operations
The group is operating in competitive and fragmented nature of industry. There are several players engaged in the plastic products manufacturing industry in organised and unorganised sector. Hence, the group might face pricing pressure from other competitors. Therefore, having an established brand name is of utmost importance in this industry along with continuous addition of value added products in the product offerings.

Rating Sensitivity
- Scaling up of operations while maintaining their profitability margin.
- Sustenance of their financial risk profile

Material Covenant
None

Liquidity Position: Adequate
The group has an adequate liquidity marked by healthy net cash accruals of Rs.17.38 crore as against Rs.15.80 crore of yearly debt obligations in FY2019. The cash accruals of the group are estimated to remain in the range of around Rs. 27.17 crore to Rs. 32.00 crore during 2020-22 against Rs.23.07 crore repayment in FY2021 and Rs. 21.58 crore in FY2022. The working capital intensity of the group is marked by gross current asset (GCA) days of 135 days in FY2019. The bank limit is 90 per cent utilized by the group for the last six months ended 30th April 2020. and the group maintains unencumbered cash and

bank balances of Rs. 1.36 crore as on March 31, 2019. The group has also applied for Covid19 Emergency Credit Line of Rs.8.67 crore. The said loans are to be repaid over a period of 2 years with a six months moratorium. Hence, Acuité believes that this short term funding will ease the liquidity position of the group. Moreover, the group has availed of moratorium on their CC & TL facilities till the end of May 2020. The liquidity position of the company post the moratorium would be a key credit monitorable. The current ratio of the group stood low at 0.99 times in FY2019 and 0.77 times in FY2018 respectively. However, Acuité believes any further deterioration in current ratio will be key monitorable.

Outlook: Stable

Acuité 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 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	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	349.49	237.85
PAT	Rs. Cr.	6.45	4.78
PAT Margin	(%)	1.85	2.01
Total Debt/Tangible Net Worth	Times	1.58	1.36
PBDIT/Interest	Times	2.21	2.23

About the Rated Entity - Key Financials (Standalone)

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	106.40	0.00
PAT	Rs. Cr.	0.68	(1.99)
PAT Margin	(%)	0.64	-
Total Debt/Tangible Net Worth	Times	2.94	1.70
PBDIT/Interest	Times	1.76	(0.46)

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

NA

Any other information

None

Applicable Criteria

- Default Recognition –https://www.acuite.in/view-rating-criteria-17.htm
- Manufacturing Entities – https://www.acuite.in/view-rating-criteria-04.htm
- Financial Ratios and Adjustments – https://www.acuite.in/view-rating-criteria-20.htm
- Consolidation of Companies - https://www.acuite.in/view-rating-criteria-60.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. Cr.)	Ratings / Outlook
13-May-2019	Cash Credit	Long Term	20.00	ACUITE BBB/Stable (Assigned)
	Term Loan	Long Term	55.00	ACUITE BBB/Stable (Assigned)
	Letter of Credit	Short Term	7.00	ACUITE A3+ (Assigned)

	Bank Guarantee	Short Term	3.00	ACUITE A3+ (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE BBB/Stable (Reaffirmed)
Term Loan	Not Available	Not Applicable	July 2026	47.89	ACUITE BBB/Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A3+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3+ (Reaffirmed)

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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.