

Press Release

Shri Maa Polyfabs Limited

March 03, 2022



Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1.07	ACUITE A- Stable Assigned	-
Bank Loan Ratings	10.50	-	ACUITE A2+ Upgraded
Bank Loan Ratings	63.26	ACUITE A- Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	74.83	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded the long term rating to 'ACUITE A-' (read as ACUITE A minus) from 'ACUITE BBB+' (read as ACUITE triple B plus) and short term rating to 'ACUITE A2+' (read as ACUITE A two plus) from 'ACUITE A2' (read as ACUITE A two) on the Rs.73.76 crore of bank facilities of Shri Maa Polyfabs Limited (SMPL). Acuite has also assigned the long term rating of 'ACUITE A-' (read as ACUITE A minus) on the Rs.1.07 crore of bank facilities of Shri Maa Polyfabs Limited (SMPL). The outlook is 'Stable'.

The rating upgrade is on account of healthy growth in revenues in the current year and improving profitability margins as a result of enhancement of capacity and its stabilization during the period. The rating also factors in the established and long track record of operations of the group with extensive experience of the promoters in the Plastic Packaging industry and strong long term relationships with its customers and suppliers, healthy financial risk profile, moderate working capital management and adequate liquidity position of the group.

The revenue of the group stood healthy at Rs.468.64 crore till December 2021 (Provisional) as compared Rs.351.61 crore in previous year during the same period. Further this increase in revenue of the group is on account of increase in overall installed capacity and actual utilization of the total capacity backed by steady demand during the period. The operating margin of the group stood healthy at 17.25 per cent during the same period ended 31st December 2021 (Provisional). The healthy financial risk profile is marked by healthy network, moderate gearing and strong debt protection metrics. Acuite believes that the strong relationship of promoters with customers and suppliers and the harmony created thereof will help the group to maintain this increment in margins in the medium term.

The rating continues to reflect the extensive experience of the management and established track of operation in the plastic industry. The rating also reflects established market position of the group in the eastern part of the country along with healthy relationship with reputed

clientele. However, these strengths are partially offset by the working capital intensive nature of operation and competitive nature of the business.

About Company

Shri Maa Polyfabs Limited was incorporated in 2005 by Mr. Sajjan Bansal and Mr. Rakesh Kumar Sharma. The company is engaged in manufacturing of bulk packaging material such as woven sacks, fabrics and leno bags made of polypropylene (PP) and high-density polypropylene (HDPE). The company has two units in Asansol (West Bengal) with a combined installed capacity of 12900 MTPA. The company has also become a del-credere agent for Brahmaputra Crackers & Polymers limited (rated at Acuité AA+(CE)/Stable/A1+(CE)) on September 2019.

About the Group

Shri Dakshineshwari Maa Polyfabs Limited was incorporated in 2016 by Mr. Sajjan Bansal and Mr. Rakesh Kumar Sharma. The company 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 has its manufacturing facility located in Hooghly, West Bengal with an installed capacity of 17000 MTPA.

Hariom Polypacks Limited was incorporated in 2010 by Mr. Sajjan Bansal and Mr. Rakesh Kumar Sharma. The company is engaged in manufacturing non-woven sacks and fabrics, face mask and personal protective equipment (PPE) kit. The company has its manufacturing facility located in Asansol, West Bengal with an installed capacity of 10300 MTPA.

Asansol Polyfabs Private Limited was incorporated in 2002 by Mr. Sajjan Bansal and Mr. Rakesh Kumar Sharma. The company is engaged in manufacturing polypropylene (PP) and high density polypropylene (HDPE) bags. The company has its manufacturing facility located in Asansol, West Bengal with an installed capacity of 3200 MTPA.

Manhar Polymers Private Limited was incorporated in 2019 by Mr. Sajjan Bansal and Mr. Rakesh Kumar Sharma and started its commercial operation from June 2020 onwards. The company is engaged in manufacturing polypropylene (PP) and high density polypropylene (HDPE) bags and fabrics. The company has its manufacturing facility located in Asansol, West Bengal with an installed capacity of 3600 MTPA.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

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), Shri Dakshineshwari Maa Polyfabs Limited (SDMPL) and Manhar Polymers Private Limited (MPPL). The same is on account of common management, same line of operations and significant operational and financial linkages. The group is herein being referred to as Shri Maa Group.

Key Rating Drivers

Strengths

Experienced management and established track record of operations

Shri Maa group was established in the year 2002 by Mr. Sajjan Bansal and Mr. Rajesh Kumar Sharma. The promoters of the group have almost 20 years of experience in the plastic and packaging industry. The extensive experience of the management has helped the group establish long-term relations with suppliers resulting in direct procurement of polypropylene from Haldia Petrochemical Limited (HPCL), Reliance Industries Limited (RIL), and Indian Oil Corporation Limited (IOCL) among others. Moreover, their experience has also helped in building healthy customer relations with reputed customers such as Birla Corporation Limited,

ACC Limited, Ultratech Cement Limited, JSW Cement Limited, and Shree Cement Limited among others in the eastern part of the country. Acuité believes that the group will continue to benefit from long experience of the management in establishing relations with their key suppliers and customers.

Healthy scale of operation coupled with healthy profitability margin

The revenue of the group stood healthy at Rs.484.73 crore as on FY2021 as compared to Rs.385.71 crore in FY2020. The group has earned Rs.464.68 crore till 31st December 2021 (Provisional). This significant increase in the revenue of the group is backed by steady demand of PP bags during the period along with increase in overall installed capacity and steady utilization of the total capacity. The group has also ventured into manufacturing of face mask and PPE kit during from March 2020, which has also contributed to the topline during the pandemic period. Going forward, Acuité believes that the group will continue its current pace of growth backed by increasing demand of PP bags, face mask and PPE kit.

The operating margin of the group has improved to 16.89 per cent in FY2021 as compared to 11.23 per cent in the previous year. This improvement in profitability margin is on account of decrease in raw material price during the period and steady demand for face mask, PPE kit and PP woven sacks during the period. Further, the group has also reported an operating profit margin of 17.25 per cent till 9MFY2021 (Provisional). The net profitability margin of the group has also increased to 5.15 per cent in FY2021 as compared to 2.64 per cent in FY2020. Acuité believes the profitability margin of the group will be sustained at current levels over the medium term on account of well-established position in the eastern market along with steady demand for face mask, PPE kit and PP bags.

Healthy financial risk profile

The financial risk profile of the group is marked by healthy net worth, moderate gearing and strong debt protection metrics. The net worth of the group stood healthy at Rs.161.36 crore in FY 2021 as compared to Rs 116.16 crore in FY2020. This improvement in networth is mainly due to the retention of current year profit. Acuité has also considered unsecured loan of Rs.8.86 crore as a part of networth, as the amount is subordinated with bank debt. The gearing of the group stood moderate at 1.20 times as on March 31, 2021 when compared to 1.31 times as on March 31, 2020. This improvement in overall gearing is on account of increase in networth during the period. Interest coverage ratio (ICR) is strong and stood 4.16 times in FY2021 as against 2.32 times in FY 2020. The debt service coverage ratio (DSCR) of the group also stood comfortable at 2.77 times in FY2021 as compared to 1.18 times in the previous year. The net cash accruals to total debt (NCA/TD) stood healthy at 0.31 times in FY2021 as compared to 0.15 times in the previous year. Going forward, Acuité believes the financial risk profile of the group will remain healthy on account of healthy net cash accruals over the near term.

Weaknesses

Working capital intensive nature of operation

The working capital management of the group is marked by high GCA days of 149 days in FY2021 as compared to 143 days in FY2020. This high GCA day is mainly on account of high other current asset of Rs.41.06 crore in FY2021 which mainly consists of statutory deposits, other receivables and other current assets. The inventory holding period of the group stood moderate at 71 days in FY2021 as compared to 44 days in the previous year. The debtor days of the group has also stood moderate at 70 days in FY2021 as compared to 66 days in the previous year. Acuité believes any significant deviation in working capital management would be a key rating sensitivity factor.

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 Packaging industry in organized and unorganized 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 Sensitivities

Sustenance in turnover growth and profitability margin
Working capital management

Material Covenants

None

Liquidity Position: Adequate

The group has adequate liquidity marked by healthy net cash accruals of Rs59.57 crore as against Rs.8.34 crore long term debt obligations in FY2021. The cash accruals of the group are estimated to remain in the range of around Rs. 86.90 crore to Rs. 101.77 crore during 2022-23 as against Rs. 20.05 crore FY2022 and in Rs.24.34 of long term debt obligations in FY2023. The current ratio of the group stood comfortable at 1.33 times in FY2021. The working capital intensive nature of the group is marked by moderate Gross Current Asset (GCA) days of 149 days in FY2021. The bank limit of the group has been ~90 percent utilized during the last six months ended in December 2021. Acuité believes that the liquidity of the group is likely to remain adequate over the medium term on account of healthy cash accruals against long debt repayments over the medium term.

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.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	484.73	385.71
PAT	Rs. Cr.	24.94	10.18
PAT Margin	(%)	5.15	2.64
Total Debt/Tangible Net Worth	Times	1.20	1.31
PBDIT/Interest	Times	4.16	2.32

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

Done

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

Note on Complexity Levels of the Rated Instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 Jun 2021	Letter of Credit	Short Term	1.00	ACUITE A2 (Withdrawn)
	Cash Credit	Long Term	29.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Working Capital Demand Loan	Long Term	10.13	ACUITE BBB+ Stable (Assigned)
	Letter of Credit	Short Term	4.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Term Loan	Long Term	4.20	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Standby Line of Credit	Long Term	2.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Channel Financing	Long Term	19.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Bank Guarantee	Short Term	6.50	ACUITE A2 (Upgraded from ACUITE A3+)
04 Jun 2020	Term Loan	Long Term	10.00	ACUITE BBB Stable (Reaffirmed)
	Letter of Credit	Short Term	4.00	ACUITE A3+ (Reaffirmed)
	Bills Discounting	Short Term	1.00	ACUITE A3+ (Reaffirmed)
	Standby Line of Credit	Long Term	2.00	ACUITE BBB Stable (Reaffirmed)
	Channel Financing	Long Term	12.00	ACUITE BBB Stable (Assigned)
	Bank Guarantee	Short Term	6.50	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	29.00	ACUITE BBB Stable (Reaffirmed)
13 May 2019	Term Loan	Long Term	14.50	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	25.00	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	2.50	ACUITE BBB Stable (Assigned)
	Standby Line of Credit	Long Term	2.00	ACUITE BBB Stable (Assigned)
	Letter of Credit	Short Term	4.00	ACUITE A3+ (Assigned)
	Bills Discounting	Short Term	1.00	ACUITE A3+ (Assigned)
	Bank Guarantee	Short Term	3.00	ACUITE A3+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE A2+ Upgraded
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	29.00	ACUITE A- Stable Upgraded
State Bank of India	Not Applicable	Channel/Dealer/Vendor Financing	Not Applicable	Not Applicable	Not Applicable	19.00	ACUITE A- Stable Upgraded
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A2+ Upgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.07	ACUITE A- Stable Assigned
State Bank of India	Not Applicable	Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A- Stable Upgraded
State Bank of India	Not Applicable	Term Loan	Not available	10.85	31-03-2023	0.65	ACUITE A- Stable Upgraded
State Bank of India	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	12.61	ACUITE A- Stable Upgraded

Contacts

Analytical	Rating Desk
Pooja Ghosh Head-Rating Operations Tel: 022-49294041 pooja.ghosh@acuite.in Abhishek Dey Analyst-Rating Operations Tel: 022-49294065 abhishek.dey@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

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