

Press Release

Shri Maa Polyfab Limited

March 24, 2023



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	9.20	ACUITE A- Stable Assigned	-
Bank Loan Ratings	60.33	ACUITE A- Stable Reaffirmed	-
Bank Loan Ratings	14.50	-	ACUITE A2+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	84.03	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of **'ACUITE A-' (read as ACUITE A minus)** and short term rating to **'ACUITE A2+' (read as ACUITE A two plus)** on the Rs.74.83 crore of bank facilities of Shri Maa Polyfabs Limited. Acuite has also assigned the long term rating of **'ACUITE A-' (read as ACUITE A minus)** on the Rs.9.20 crore of bank facilities of Shri Maa Polyfabs Limited. The outlook is **'Stable'**

Rating Rationale

The rating takes into consideration the experienced management, track record of the group along with the growth in operating revenue of the group. Further the financial risk profile of the group though moderated remains in a comfortable range. The aforesaid factors are offset by the working capital-intensive nature of operation and the profitability is susceptible to raw material price fluctuations.

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). The company is merged with its group company viz. Asansol Polyfabs Private Limited (ASPL) with effect from 1st April 2021 and hence SMPL has taken over all the assets and liabilities of ASPL. Currently the company has combined installed capacity of 16100 MTPA. The company is also a del-credere agent for Brahmaputra Crackers & Polymers limited (rated ACUITE AA+/Stable/A1+).

About the Group

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. The

company has its manufacturing facility located in Asansol, West Bengal with an installed capacity of 10300 MTPA.

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 18000 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 6000 MTPA.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has revised the approach and excluded Asansol Polyfabs Pvt Ltd as the company has already been merged with Shri Maa Polyfabs Limited with effect from 1st April 2021. Hence, Acuité has considered the consolidated financial and business risk profile of 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 more than two decades 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.

Increasing scale of operation coupled with healthy profitability margin

The revenue of the group stood at Rs.648.90 crore in FY2022 as compared to Rs.484.73 crore during the previous year. This significant increase in the revenue of the group during FY2022 is on account of increase in overall realization along with increase in unit sold during the period. The group has earned Rs.482.98 crore till 31st December 2022 (Provisional). Going forward, Acuité believes that the group will continue its current pace of growth backed by increasing demand of PP bags in the domestic market.

Though the operating margin of the group has declined to 13.66 per cent in FY2022 as

compared to 16.89 per cent in the previous year. This decrease in profitability margin is on account of increase in raw material price during the period. Further, the group has also reported an operating profit margin of 14.46 per cent till 9MFY2023 (Prov.). The net profitability margin of the group has also declined to 3.60 per cent in FY2022 as compared to 5.15 per cent in FY2021. 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 PP bags mainly from the cement industries.

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.200.43 crore in FY 2022 as compared to Rs 161.36 crore in FY2021. This improvement in networth is mainly due to the retention of current year profit. Acuité has also considered unsecured loan of Rs.10.02 crore as a part of networth, as the same amount is subordinated with bank debt. The gearing of the group has increased and stood moderate at 1.36 times as on March 31, 2022 when compared to 1.20 times as on March 31, 2021. This increase in overall gearing is on account of increase in long term debt during the period. Interest coverage ratio (ICR) is strong and stood at 4.07 times in FY2022 as against 4.16 times in FY 2021. The debt service coverage ratio (DSCR) of the group also stood comfortable at 1.94 times in FY2022 as compared to 2.77 times in the previous year. The net cash accruals to total debt (NCA/TD) stood healthy at 0.22 times in FY2022 as compared to 0.31 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 and absence of any major capex plan over the near future.

Weaknesses

Working capital intensive nature of operation

The working capital intensive nature of operation of the group is marked by high gross current asset (GCA) days of 166 days as on 31st March 2022 and as compared to 149 days in the previous year. These high gross current asset (GCA) days are mainly on account of high other current asset of Rs.58.60 crore during 31st March 2022 which mainly consists of statutory deposits, other receivables, and other current assets. However, the inventory holding period by the group stood moderate at 69 days in FY2022 as compared to 57 days in the previous year. The collection period of the group is also stood moderate at 73 days during 31st March 2022 as compared to 70 days in the previous year. The group has utilized ~83 per cent of its working capital facility for the last six months ended December 2022. Acuité believes any significant deviation in working capital management would be a key rating sensitivity factor.

Susceptibility of profitability margins to fluctuations in prices of raw material and competitive and fragmented nature of operations

The basic raw materials required by the group are plastic granules which is crude oil derivative. The prices of the commodities are subject to volatility in line with those of global crude oil prices. Further, 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 stability in profitability margin
- Any deterioration in the working capital cycle leading to deterioration in financial risk profile and liquidity position.

Material Covenants

None

Liquidity Position

Adequate

The group has adequate liquidity marked by healthy net cash accruals of Rs.60.50 crore as against Rs.20.05 crore long term debt obligations in FY2022. The cash accruals of the group are estimated to remain in the range of around Rs. 71.36 crore to Rs. 82.09 crore during 2023-24 as against Rs. 11.97 crore FY2023 and in Rs.24.00 of long-term debt obligations in FY2024. The current ratio of the group stood comfortable at 1.43 times in FY2022. The working capital intensive nature of the group is marked by moderate Gross Current Asset (GCA) days of 166 days as on 31st March 2022. The bank limit of the group has been ~83 percent utilized during the last six months ended in January 2023. 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	648.90	484.73
PAT	Rs. Cr.	23.37	24.94
PAT Margin	(%)	3.60	5.15
Total Debt/Tangible Net Worth	Times	1.36	1.20
PBDIT/Interest	Times	4.07	4.16

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

None

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general

understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
03 Mar 2022	Channel Financing	Long Term	19.00	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Letter of Credit	Short Term	4.00	ACUITE A2+ (Upgraded from ACUITE A2)
	Term Loan	Long Term	0.65	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Cash Credit	Long Term	29.00	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Bank Guarantee	Short Term	6.50	ACUITE A2+ (Upgraded from ACUITE A2)
	Proposed Bank Facility	Long Term	1.07	ACUITE A- Stable (Assigned)
	Working Capital Demand Loan	Long Term	12.61	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Standby Line of Credit	Long Term	2.00	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
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)
	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+)
	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)
04 Jun 2020	Cash Credit	Long Term	29.00	ACUITE BBB Stable (Reaffirmed)
	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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	8.50	ACUITE A2+ Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	34.80	ACUITE A- Stable Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	9.20	ACUITE A- Stable Assigned
State Bank of India	Not Applicable	Channel/Dealer/Vendor Financing	Not Applicable	Not Applicable	Not Applicable	Simple	19.00	ACUITE A- Stable Reaffirmed
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE A2+ Reaffirmed
State Bank of India	Not Applicable	Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE A- Stable Reaffirmed
State Bank of India	Not Applicable	Working Capital Demand Loan (WCDL)	Not available	Not available	Not available	Simple	4.53	ACUITE A- Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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