# Press Release

## Smvd Poly Pack Limited

September 20, 2019

**Rating Assigned**

| | |
|---|---|
| **Total Bank Facilities Rated*** | Rs. 28.77 Cr. |
| **Long Term Rating** | ACUITE BB+/Stable (Assigned) |

** Refer Annexure for details*

**Rating Rationale**

Acuité has assigned the long-term rating of **'ACUITE BB+' (read as ACUITE double B plus)** to Rs. 28.77 Cr. bank facilities of SMVD POLY PACK LIMITED. The outlook is **'Stable'**.

Incorporated in 2010, SMVD Poly Pack Limited (SPPL) is a West Bengal-based company engaged in manufacturing of Polypropylene (PP) and High Density Polyethylene (HDPE) woven bags and fabrics. The company commenced its commercial operations in 2012. The company mainly caters to chemical and fertilizer industries, minerals, steel and cement industries in West Bengal and Odisha. The company has setup its manufacturing plant at Sonarpur, West Bengal with an installed capacity of about 7200 MT per annum enhanced from 3600 MT per annum. The company has also started trading in water coconut since 2017. The day-to-day operations are managed by Mr. Pramod Agarwal.

### Analytical Approach

Acuité has considered the standalone business and financial risk profile of SPPL to arrive at the rating.

**Key Rating Drivers:**

### Strengths

- **Long track record of operations and experienced promoters**
  The key promoter, Mr. Pramod Agarwal, has an experience of around 20 years in the packaging industry. He has relevant expertise and know-how of the production process of PP/HDPE Fabric. He looks after day-to-day operations of the company. Acuite believes that the promoter's extensive experience has helped the company to establish long-term relationship with the customers and suppliers ensuring repeat orders.
- **Diversified and Reputed Customer Base**
  The company has a reputed customer base of companies such as IRC Agrochemcials Private Limited (formerly known as Tata Chemicals Limited), Paradeep Phosphates Limited and Shalimar Group. The company caters to diversified customers in various industries such as chemical and fertilizer industries, minerals, steel and cement industries. Thus, the company will benefit from customers from diverse industries, thereby reducing the susceptibility to slowdown in any particular industries.
- **Healthy profitability margin**
  The company has witnessed healthy operating margins of ~ 13.25 per cent in FY2019 (Provisional) as compared to 11.01 per cent in FY2018. The high profitability margins are due to higher operating efficiency and better cost management. PAT margin stood high at 4.91 per cent in FY2019 (Provisional) as compared to 4.51 per cent in the previous year.

### Weaknesses

- **Modest scale of operations**
  The revenues stood modest at Rs. 49.95 crore as on 31 March, 2019 (Provisional) as against Rs. 47.39 crore a year earlier. Further, the company has achieved revenues of Rs.15.00 crore in Q12020 (Provisional). However, Acuité believes that the company's revenues are likely to increase on account of capacity expansion and favourable demand from customers.
- **Moderate financial risk profile**
  The company's financial risk profile is average marked by modest net worth, gearing and debt protection metrics. The net worth of the company stood at Rs.20.79 crore as on 31 March, 2019

(Provisional) as against Rs.18.34 crore in the previous year. The gearing deteriorated to 1.45 times as on 31 March, 2019 (Provisional) from 0.96 times in FY18 on account of significant debt funded capital expenditure towards purchase of machinery. Total debt of Rs.30.22 crore consists of Rs.14.60 crore of long term borrowings and short term borrowings of Rs 15.62 crore. TOL/TNW stood at 1.80 times in FY2019 (Provisional). Moreover, the debt protection metrics is comfortable modest marked by interest coverage ratio (ICR) of 2.89 times in FY2019 (Provisional) and debt service coverage ratio (DSCR) of 1.07 times as on March 31, 2019 (Provisional). Going forward, the financial risk profile is expected to improve in the absence of any further debt funded capital expenditure.

- **Working capital intensive operations**
  The company has working capital intensive nature of operations marked by Gross Current Assets (GCA) of 209 days in FY2019 (Provisional) as against 156 days in FY2018. High GCA days is mainly on account of rise in inventory days to 156 days in FY2019 (Provisional) from 104 days in FY2018. The company maintains significant stock of finished goods in order to meet customer demand on time. The debtor days stood at 38 days for FY2019 as against 28 days for FY2018. Acuité believes that the company's working capital intensity is likely to remain in the medium term.

**Liquidity Profile:**
The company has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company has generated cash accruals of Rs.3.61 crore in FY2019 (Provisional) to repay its long term debt obligations of Rs.3.20 crore over the same period. However, the company's long term debt obligations stood high at Rs.4.46 crore for FY20 due to the bullet repayment structure. Thus, Acuité believes that the company's ability to maintain its profitability and generate adequate cash accruals to repay its long term debt obligations will remain a key rating monitorable. Moreover, the company's operations are working capital intensive marked by gross current asset (GCA) days of 209 days in FY2019 (Provisional) as against 156 days in FY2018. The current ratio stood at 1.18 times as on March 31, 2019 (Provisional) and the fund-based limit remains utilised at 86 percent over the twelve months ended May 2019. The company maintains unencumbered cash and bank balances of Rs.0.13 crore as on March 31, 2019.

**Outlook: Stable**
Acuité believes that the company will maintain 'Stable' outlook from the extensive experience of the promoter and diversified customer base. The outlook may be revised to 'Positive' in case of higher-than-expected revenues and profitability, leading to a substantial increase in cash accrual. The outlook may be revised to 'Negative' in case of lower-than-expected revenues, deterioration in profitability resulting in weak financial risk profile.

**About the Rated Entity - Key Financials**

| | Unit | FY19 (Provisional) | FY18 (Actual) | FY17 (Actual) |
|---|---|---|---|---|
| Operating Income | Rs. Cr. | 49.95 | 47.39 | 36.08 |
| EBITDA | Rs. Cr. | 6.62 | 5.22 | 4.70 |
| PAT | Rs. Cr. | 2.45 | 2.14 | 1.19 |
| EBITDA Margin | (%) | 13.25 | 11.01 | 13.02 |
| PAT Margin | (%) | 4.91 | 4.51 | 3.31 |
| ROCE | (%) | 12.32 | 14.05 | 31.74 |
| Total Debt/Tangible Net Worth | Times | 1.45 | 0.96 | 2.25 |
| PBDIT/Interest | Times | 2.89 | 2.70 | 2.15 |
| Total Debt/PBDIT | Times | 4.51 | 3.35 | 3.41 |
| Gross Current Assets (Days) | Days | 209 | 156 | 122 |

**Status of non-cooperation with previous CRA (if applicable)**
Not Applicable

**Any other information**
Not Applicable

## Applicable Criteria
- Financial Ratios And Adjustments -https://www.acuite.in/view-rating-criteria-20.htm
- Default Recognition- https://www.acuite.in/view-rating-criteria-17.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 | 16.00 | ACUITE BB+/Stable (Assigned) |
| Term Loans | Not Applicable | Not Applicable | Not Applicable | 12.77 | ACUITE BB+/Stable (Assigned) |

## Contacts


| Analytical | Rating Desk |
|---|---|
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**About Acuité Ratings & Research:**
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