

Press Release

F.Robin Polymers Private Limited

May 18, 2020



Rating Assigned

Total Bank Facilities Rated*	Rs.18.50 Cr.
Long Term Rating	ACUITE B /Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned its long-term rating of '**ACUITE B**' (**read as ACUITE B**) to the Rs.18.50 crore bank facilities of F.Robin Polymers Private Limited (FRPL). The outlook is '**Stable**'.

F.Robin Polymers Private Limited (FRPL) was incorporated in 2016 promoted by Mrs. F. Stella and Mr. F Robin. The company is engaged in manufacturing PP Woven sacks and it has a manufacturing facility at Chinnupatti, Batlagundu, Dindigul, Tamilnadu with a production capacity of 10 MT per day. The produced products used in majorly in packaging sector like cement, fertilizers, sugar, textile, food grain & agro products among others. The Company has commenced its operations in June 2018.

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of FRPL to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced Management

FRPL was incorporated in 2016 promoted by Mrs. F. Stella and her son Mr. F Robin. The Day-to-day operations are managed by the managing director Mrs. F. Stella and her husband Mr. Francis. The company manufactures polypropylene woven sacks, which find utility as industrial packaging materials ideally suited for cement, sugar, food grains among others. Promoters and experienced management has helped the company to stabilise the operations and developing relationship with its customers and suppliers to scale up its operations. FRPL reported an operating income of Rs. Rs.18.74 crore FY2019 and reported about Rs.28.00 crore for FY2020 (provisional).

Acuité believes promoters strong understanding of the market dynamics and experienced management will benefit the company going forward resulting in steady growth in the scale of operations.

Weaknesses

• Below-average financial risk profile

The company has below average financial risk profile marked by moderate net worth, high gearing and moderate debt protection metrics. The net worth of the FRPL stands moderate at Rs.4.66 crore as on march 31, FY2019 as compared to Rs.4.62 crore in FY2018. The gearing of the stands high at 4.02 times as on March 31, 2019 when compared to 2.16 times as on March 31, 2018. The debt protection metrics Interest coverage ratio (ICR) is stands at 1.76 times and net cash accruals to total debt (NCA/TD) stands 0.11 times in FY2019. The company plans to set up for the 2-MW capacity solar project for captive consumption with an outlay of Rs.9.85 crore, funded through debt of around Rs.7.30 crore and the balance Rs.2.55 crore through equity. Acuité believes the financial risk profile of the FRPL will remain below average over the medium term on account of large ongoing debt funded capital expenditure plan and the progress of the capex shall remain a key monitorable and ability of the company scale of its operations with surplus accruals in order to service its debt obligation in timely manner will be critical.

• **Moderate scale of operations and a highly fragmented competitive industry**

With revenues of Rs.28 crore in FY2020 (provisional); FPPL continues to operate on a moderate scale in the PP sack manufacturing industry and several small-scale units operating in this industry has resulted in fragmented nature of the industry leading to intense competition amongst the players. However, it is in the nascent stage of operations and a further ramp-up of operations would be a key sensitivity, going forward.

• **High working capital intensity**

The company's working capital operations are moderate marked by Gross Current Assets (GCA) days of 246 days for FY2019. This is mainly driven by inventory 179 days and debtors of 51 days for FY2019. Its bank limits utilised about 98 to 99 percent during past the last six months ended March 2020. Acuité believes that the company's ability to maintain its working capital efficiently will remain a key to maintain stable credit profile.

Liquidity Position: Stretched

FRPL has stretched liquidity marked by moderate net cash accruals to maturing debt obligations. FRPL generated cash accruals of Rs. 2.05 crore for FY2019 while its maturing debt obligations were Rs. 1.75 crore for the same period. FRPL is estimated to generate cash accrual around Rs. 2.00 to 3.50 crore annually over the medium term against repayment obligations of around Rs 2.00 to 3.25 crore. Bank limit was utilized at around 98% the past 6 month's ended march 2020 due to the high working capital requirement. The company has unencumbered cash and bank balance of Rs 0.39 crore, and moderate current ratio of 1.11 times as on March 31, 2019. Acuité expects that the liquidity of the company is likely to be stretched over the medium term on account of on account of large ongoing debt funded capital expenditure plan.

Rating Sensitivities

- Deterioration in financial risk profile and weakening of debt protection metrics due to lower-than-expected cash flow
- Stretch in working capital either from higher inventory or receivables leading to pressure on liquidity.

Material Covenants

None

Outlook: Stable

Acuité believes that FRBL will maintain a 'Stable' outlook over the medium term from its promoters' industry experience and experienced management. The outlook may be revised to 'Positive' if early ramp-up in operations, profitability, efficient working capital management and strengthen financial risk profile. The outlook may be revised to 'Negative' if decline in profitability, stretch in working capital cycle, or any large, debt-funded capital expenditure weakens capital structure and further decrease in cash flows.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	18.74	-
PAT	Rs. Cr.	0.04	-0.02
PAT Margin	(%)	0.20	-
Total Debt/Tangible Net Worth	Times	4.02	2.16
PBDIT/Interest	Times	1.76	-4.03

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Sector Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.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
Term loan	05-10-2018	Not Applicable	05-02-2025	9.25	ACUITE B / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.25	ACUITE B / Stable

Contacts

Analytical	Rating Desk
Aditya Gupta Vice president Tel: 022-4929 4041 aditya.gupta@acuite.in Bhavani Sankar Oruganti Senior Analyst - Rating Operations Tel: 040-4004 2327 bhavanisankar.oruganti@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-4929 4011 rating.desk@acuite.in

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.