

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

Acuite 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

Acuite 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).

Acuite 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. Acuite 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. Acuite 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. Acuite 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

Acuite 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

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About Acuité Ratings & Research:

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