Press Release

F.Robin Polymers Private Limited

July 02, 2021

Rating Upgraded

Total Bank Facilities Rated*	Rs.18.50 Cr.
Long Term Rating	ACUITE B+ /Outlook: Stable (Upgraded from ACUITE B/Stable)

** Refer Annexure for details*

Rating Rationale

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

The rating upgrade takes cognizance of consistent growth in the operating performance, driven by moderate revenue growth, stable operating margin. The company's revenues grew at a compounded annual growth rate (CAGR) of 40 percent during the period between FY2019-FY2021 supported by capacity expansion and stabilized operations. Operating margin stood in the range of 15-25 percent in the past and is likely to remain stable at around 15 percent, going forward. The rating takes into account its extensive experience of the promoters. The rating albeit is constrained by its working capital intensive nature of operations and its susceptibility of margins to volatility in raw material prices and high competition.

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 of PP Woven sacks. It has a manufacturing facility at Chinnupatti, Batlagundu, Dindigul, Tamilnadu with a production capacity of 10 MT per day. The produced products are used majorly players engaged in manufacturing cement, fertilizers, sugar, textile, food grain & agro products among others. The Company commenced its operations in June 2018. In January 2021, the Company instated 2 megawatt (MW) solar power project for captive consumption.

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 and scale up the operations and develop relationship with its customers and suppliers. FRPL reported 31 percent growth in operating income of Rs. Rs.37.87 Cr in FY2021 (Provisional) as against Rs.28.79 Cr for FY2020. Acuité believes promoter's 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 financial risk profile of the FRPL is below-average marked by low net worth, high gearing (Debt-Equity), and high total outside liabilities to total net worth (TOL/TNW) and moderate debt protection metrics. Net worth stood low at Rs.6.95 Cr as on 31 March, 2021 (Provisional) vis-à-vis Rs.5.68 Cr as on 31 March, 2020. The gearing (debt-to-equity) and TOL/TNW stood high at 4.75 times and 4.81 times as on 31 March, 2021 (Provisional) vis-à-vis at 3.53 times and 3.93 times as on 31 March, 2020. The debt protection metrics; interest

coverage ratio and net cash accruals to total debt (NCA/TD) stood moderate at 2.47 times and 0.11 times, respectively in FY2020 vis-à-vis 2.45 times and 0.15 times respectively FY2020. Acuité believes the financial risk profile of the FRPL will remain below-average over the medium term and ability of the company to scale up its operations with surplus accruals in order to service its medium-term debt obligations in timely manner will be critical.

- **Moderate scale of operations and a highly fragmented competitive industry**
  With revenues of Rs.37 Cr in FY2021 (provisional); FRPL continues to operate on a moderate scale in the PP sack manufacturing industry and presence of several small-scale units operating in this industry has resulted in fragmented nature of the industry leading to intense competition amongst the players. Acuité believes that the company's ability to improve its operations would be a key sensitivity, going forward.

- **High working capital intensity**
  FRPL's operations are highly working capital intensive marked by its gross current assets (GCA) of 192-246 days during FY2019-FY2021 (Provisional). The debtor realisation days and inventory days were in the range of 51-117 days and 129-179 days, respectively during the last 3 years ended FY2021 (Provisional). The company receives low credit of 2-81 days from suppliers which led to high utilised of bank limits up to 100 percent over six months through May 2021. Acuité believes that the company's ability to improve its working capital cycle will remain a key sensitivity going forward to maintain a stable credit profile.

Liquidity Position: Stretched

FRPL's Liquidity is stretched with tightly matching NCAs to its repayment obligations and working capital intensive nature of operations. FPPL generated cash accruals of Rs.3.49-1.01 Cr during FY2021-2019, while it's maturing debt obligations Rs.1-2.40 Cr during the same period. The cash accruals of the company are estimated to remain around Rs.3.50-4.50 Cr during 2021-23 while their repayment obligations are estimated to be around Rs.4.00-4.10 Cr during the same period. If any shortfall was expected to meet through Guaranteed Emergency Credit Line (GECL) of Rs.3.52 Cr. The average fund-based working capital utilization stood at 100 percent for the past 6 months ended May 2021. The Company has maintained low unencumbered cash and bank balances Rs.0.68 Cr and the current ratio stood at 1.69 times as on March 31, 2021 (Provisional). Acuité expects that the liquidity of the company is likely to be stretched over the medium term.

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.

Outlook: Stable

Acuité believes that FRPL will maintain a 'Stable' outlook over the medium term from its promoter's entrepreneurial experience. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or any significant debt-funded capex leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	37.87	28.79
PAT	Rs. Cr.	1.28	1.02
PAT Margin	(%)	3.37	3.53
Total Debt/Tangible Net Worth	Times	4.75	3.53
PBDIT/Interest	Times	2.47	2.45

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

Not Applicable

Any other information
Not Applicable

Material Covenants
None

Applicable Criteria

- Financial Ratios And Adjustments -https://www.acuite.in/view-rating-criteria-53.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 (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
18-May-2020	Cash Credit	Long Term	9.25	ACUITE B/Stable (Assigned)
	Term Loan	Long Term	9.25	ACUITE B/Stable (Assigned)

***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 Available	05-02-2025	8.14	ACUITE B+ / Stable (Upgraded from ACUITE B/Stable)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.25	ACUITE B+ / Stable (Upgraded from ACUITE B/Stable)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.11	ACUITE B+ / Stable (Upgraded from ACUITE B/Stable)

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