

## Press Release

F.Robin Polymers Private Limited

April 08, 2022



### Rating Assigned and Upgraded

| Product                            | Quantum (Rs. Cr) | Long Term Rating               | Short Term Rating |
|------------------------------------|------------------|--------------------------------|-------------------|
| Bank Loan Ratings                  | 13.84            | ACUITE BB-   Stable   Assigned | -                 |
| Bank Loan Ratings                  | 41.96            | ACUITE BB-   Stable   Upgraded | -                 |
| Total Outstanding Quantum (Rs. Cr) | 55.80            | -                              | -                 |
| Total Withdrawn Quantum (Rs. Cr)   | 0.00             | -                              | -                 |

### Rating Rationale

Acuite has upgraded its long-term rating to '**ACUITE BB-**' (read as **ACUITE double B minus**) from '**ACUITE B+**' (read as **ACUITE B plus**) to the Rs.41.96 Cr and assigned its long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) to the 13.84 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 healthy in the range of 17-25 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.

### About the Company

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 15 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

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 and scale up the operations and develop relationship with its customers and suppliers. 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.

#### Increased scale of operations

The company's scale of operations remains moderate, despite healthy revenue growth of ~ 31% in FY2021 and expected to report year-over-year 25% growth in FY2022. The company reported revenues of Rs. 45 Cr in 11M FY2022. Its operating margin was healthy in the range of 17% to 25% over the past three fiscal years ended in FY2022. Acuité believes that the company's ability to improve its revenues and maintain its operational profitability would be a key factor going forward.

### 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.6.78 Cr as on March 31, 2021 vis-à-vis Rs.5.68 Cr as on 31 March, 2020. The gearing (debt-to-equity) and TOL/TNW stood high at 4.62 times and 5.23 times as on March 31, 2021 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 2.54 times and 0.13 times, respectively in FY2021 vis-à-vis 2.45 times and 0.15 times respectively FY2020. The company incurred capex of Rs.27 Cr over the last three years to expand its scale of operations. The Company is planning to do Capex of Rs 25. Cr in FY23 towards setting up an FIBC bags plant (funded by term loan of ~Rs 20-22 crore, which is yet to be disbursed). This will be financed partially by internal accruals, and partially by a term loan of Rs. 38 crore. 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.

#### Working capital-intensive nature of operations

FRPL's operations are highly working capital intensive marked by its gross current assets (GCA) of 191-246 days during FY2019-FY2021. The debtor realisation days and inventory days were in the range of 51-90 days and 108-179 days, respectively during the last 3 years ended FY2021. The company receives low credit of 37-81 days from suppliers which led to high utilised of bank limits up to 98 percent over six months through February 2022. 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.

### ESG Factors Relevant for Rating

Not Applicable

### Rating Sensitivities

- Significant improvement in scale of operations while maintaining profitability margins
- Any large debt-funded capital expenditure, resulting in deterioration of financial risk profile

- Any further deterioration in working capital management leading to deterioration in financial risk profile and liquidity

### Material covenants

None

### 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.2-4 Cr during FY2021-2019, while it's maturing debt obligations Rs.1-3 Cr during the same period. The cash accruals of the company are estimated to remain around Rs.4-6 Cr during 2022-24 while their repayment obligations are estimated to be around Rs.3-4 Cr during the same period. The average fund-based working capital utilization stood at 98 percent for the past 6 months ended February, 2022. The Company has maintained low unencumbered cash and bank balances Rs.0.53 Cr and the current ratio stood at 1.21 times as on March 31, 2021. Acuité expects that the liquidity of the company is likely to be stretched over the medium term on account of moderate cash accruals to its maturing debt obligations.

### 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.

### Other Factors affecting Rating

Not Applicable

### Key Financials

| Particulars                   | Unit    | FY 21 (Actual) | FY 20 (Actual) |
|-------------------------------|---------|----------------|----------------|
| Operating Income              | Rs. Cr. | 37.77          | 28.79          |
| PAT                           | Rs. Cr. | 1.10           | 1.02           |
| PAT Margin                    | (%)     | 2.92           | 3.53           |
| Total Debt/Tangible Net Worth | Times   | 4.62           | 3.53           |
| PBDIT/Interest                | Times   | 2.54           | 2.45           |

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

Not Applicable

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of 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/view-rating-criteria-55.htm>

## Rating History

| Date        | Name of Instruments/Facilities | Term      | Amount (Rs. Cr) | Rating/Outlook                                       |
|-------------|--------------------------------|-----------|-----------------|--|
| 02 Jul 2021 | Proposed Bank Facility         | Long Term | 1.11            | ACUITE B+   Stable (Upgraded from ACUITE B   Stable) |
|             | Term Loan                      | Long Term | 8.14            | ACUITE B+   Stable (Upgraded from ACUITE B   Stable) |
|             | Cash Credit                    | Long Term | 9.25            | ACUITE B+   Stable (Upgraded from ACUITE B   Stable) |
| 18 May 2020 | Term Loan                      | Long Term | 9.25            | ACUITE B   Stable (Assigned)                         |
|             | Cash Credit                    | Long Term | 9.25            | ACUITE B   Stable (Assigned)                         |

## Annexure - Details of instruments rated

| Lender's Name  | ISIN           | Facilities                       | Date Of Issuance | Coupon Rate    | Maturity Date  | Quantum (Rs. Cr.) | Rating                         |
|----------------|----------------|----------------------------------|------------------|----------------|----------------|-------------------|--------------------------------|
| Indian Bank    | Not Applicable | Cash Credit                      | Not Applicable   | Not Applicable | Not Applicable | 9.25              | ACUITE BB-   Stable   Upgraded |
| Indian Bank    | Not Applicable | Cash Credit                      | Not Applicable   | Not Applicable | Not Applicable | 4.00              | ACUITE BB-   Stable   Upgraded |
| Not Applicable | Not Applicable | Proposed Long Term Bank Facility | Not Applicable   | Not Applicable | Not Applicable | 22.00             | ACUITE BB-   Stable   Upgraded |
| Indian Bank    | Not Applicable | Term Loan                        | 28-03-2018       | 10.25          | 05-02-2025     | 6.71              | ACUITE BB-   Stable   Upgraded |
| Indian Bank    | Not Applicable | Term Loan                        | Not available    | Not available  | Not available  | 6.57              | ACUITE BB-   Stable   Assigned |
| Indian Bank    | Not Applicable | Working Capital Term Loan        | Not available    | Not available  | Not available  | 7.27              | ACUITE BB-   Stable   Assigned |

## Contacts

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|---|--|
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### About Acuité Ratings & Research

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