



Press Release
Samarth Fablon Private Limited
March 04, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	119.48	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	10.00	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	129.48	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and short-term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs. 129.48 crore bank facilities of Samarth Fablon Private Limited. The outlook is '**Stable**'.

Rationale for reaffirmation

The ratings reflect the group's established track record along with diversified customer base which includes leading cement players, oil marketing company and various government agencies. It also takes into account the moderate financial risk profile and the adequate liquidity position of the group. Further, although there has been a decline in the operating income of the group, the operating margins have improved significantly. The revenues of the group stood at Rs.376.31 crore in FY23 as against Rs.408.72 crore in FY22. The group's revenue stood at ~Rs.289.10 Crore in 9MFY24. The EBITDA margins stood at 15.08 percent in FY2023 as against 7.41 percent in FY2022. The margins further improved and stood at 15.60 percent in 9MFY24. The improvement in the margins is due to the capacity addition undertaken by the group which was completed in March 2022, wherein higher quality of products are manufactured. Along with this the lower raw material cost in FY23 has further aided in the improvement of margins. The ability of the group to improve the operating income on the back of the capacity addition, while maintaining the margins will remain key monitorable in the medium term.

About Company

Samarth Fablon Private Limited (SFPL) was incorporated in 2007 by Mr Bishnu Kumar Agarwala. The company is engaged in manufacturing Polypropylene (PP) woven sacks and trading of Polypropylene (PP) granules. The company has its manufacturing unit with an installed capacity of 24,000 tons per annum. The present directors of the company are Mr. Anushri Agarwal, Mr. Dhiraj Agarwal, Mr. Kishore Kumar Mohapatra, Mr. Bishnu Kumar Agarwala and Mr. Samarth Agarwal. The registered office of the company is in Kolkata.

About the Group

Samarth Ad Protex Private Limited (SAPL) was incorporated in 2013 and started its commercial operation since December 2017. SAPL is also engaged in manufacturing of PP bags and has an installed capacity of 10,500 tons per annum.

Shree Ram Electrocast Jharkhand Private Limited (SREJPL) was incorporated in October

2010. The company has set up a PP bag manufacturing unit with an installed capacity of 24,000 MTPA. The unit commenced its operation in March 2022.

Unsupported Rating

Not Applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has taken a consolidated view of SAPL, SFPL and SREJPL because of common management, similar line of business and financial linkages in the form of corporate guarantee extended by SFPL to SAPL. In addition, SFPL and SAPL have extended guarantee to SREJPL.

Key Rating Drivers

Strengths

Experienced management

The promoter of the Samarth group has a business experience of more than a decade in the plastic packaging business. The group has a strong customer base which includes leading cement companies and oil marketing company such as ACC Limited, Ultratech Cement Ltd, Indian Oil Corporation Ltd among others. Apart from supplying Woven sacks/PP bags to cement and OMC sectors, the group caters to government agencies on tender basis. The group has been associated with their key customers almost since inception. Acuité believes that the extensive experience of the promoter would continue to help in the business risk profile of the group going forward.

Moderate financial risk profile

The tangible net worth of the group increased to Rs. 139.61 crores as on March 31, 2023, as against Rs. 131.24 crore as on March 31, 2022. The net worth includes quasi equity of Rs.22.00 crore for FY23. The group's gearing stood at 1.79 times as on March 31, 2023, as against 2.01 times in the March 31, 2022. The gearing was high in FY22 on account of the debt addition for capacity expansion. The total debt of Rs.249.76 crore as on March 31, 2023, consists of long-term borrowings of Rs.120.71 crore, unsecured loan of Rs.12.77 crore and short-term debt borrowings of Rs.103.04 crore. The debt coverages ratios are moderate with interest coverage ratio at 2.37 times in FY2023 as against 2.44 times in the previous year 2022. The DSCR stood at 1.49 times in FY2023 as against 1.24 times in FY2022. Acuité believes that the financial risk profile of the group is likely to remain moderate in medium term on account of no major debt funded capacity expansion.

Weaknesses

Working capital intensive operations

The operations of SG are working capital intensive reflected by Gross Current Assets (GCA) of 229 days as on March 31, 2023, as against 196 days as on March 31, 2022. The inventory days stood at 163 days as on March 31, 2023, as against 108 days as on March 31, 2022. The average inventory holding period of the group is around 120 days. The inventory is high in FY23 since the group had stocked up a large variety of PP bags for smooth order execution. The debtor days stood at 57 days as on March 31, 2023, as against 53 days as on March 31, 2022. Average credit period allowed to the customers are around 45-60 days. The creditors days

stood at 23 days as on March 31, 2023, as against 15 days as on March 31, 2022. Majorly advance payments are done to the suppliers. Working capital requirement is funded through bank lines, the average utilisation of bank facilities is ~82 percent for 6 months ended as on December'2023 for the group. Acuité believes that the ability of the group to improve the working capital operations will remain key rating sensitivity in medium term.

Susceptibility of margins to raw material price fluctuation

As SG is engaged in the manufacturing of PP bags, the major raw materials required to manufacture such products are polypropylene granules, which is a derivative of crude oil, and the prices of crude oil are directly affected by various macroeconomic factors. Similarly, the prices of such raw materials are also volatile in nature, and such fluctuations in the major raw material prices may impact the operating profit margin of the company. However, such risks are mitigated to some extent due to raw material escalation clause included in the contracts by the group.

Rating Sensitivities

Substantial improvement in the revenues of the group while maintaining the profitability margins.

Any stretch in the financial risk profile and liquidity position.

Further elongation in the working capital cycle.

Liquidity position: Adequate

The group's liquidity profile is adequate marked by adequate net cash accruals against maturing debt obligations. The group generated cash accruals of Rs.34.68 crores in FY23 as against debt obligations of Rs.15.10 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.37.18-45.65 crore during FY2024-25 against repayment obligations ranging from Rs.19.16-20.60 crore for the same period. The group maintains unencumbered cash and bank balances of Rs.0.21 crore as on March 31, 2023. The current ratio stood at 1.82 times as on March 31, 2023. Acuite believes liquidity profile will remain adequate in medium term backed by steady net cash accruals.

Outlook:Stable

Acuité believes that Samarth Group will maintain a 'Stable' outlook over the medium term owing to its promoters' extensive experience in the industry and longstanding relations with their customers. The outlook may be revised to 'Positive' in case the group is able to scale up its operations significantly along with improvement in profitability margin. Conversely, the outlook may be revised to 'Negative' if the group witnessed a significant deterioration in financial risk profile or liquidity profile due to any unplanned capex plan or stretched receivables.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	376.31	408.72
PAT	Rs. Cr.	5.30	4.16
PAT Margin	(%)	1.41	1.02
Total Debt/Tangible Net Worth	Times	1.79	2.01
PBDIT/Interest	Times	2.37	2.44

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

Not Applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 Dec 2022	Term Loan	Long Term	15.89	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	76.00	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	6.35	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	2.50	ACUITE BBB Stable (Assigned)
	Proposed Cash Credit	Long Term	1.27	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	2.47	ACUITE A3+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	10.00	ACUITE A3+ (Reaffirmed)
06 Sep 2021	Bank Guarantee/Letter of Guarantee	Short Term	8.23	ACUITE A3+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	10.00	ACUITE A3+ (Reaffirmed)
	Term Loan	Long Term	9.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	76.00	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	8.75	ACUITE BBB Stable (Reaffirmed)
25 Aug 2021	Letter of Credit	Short Term	10.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	8.23	ACUITE A3+ (Reaffirmed)
	Term Loan	Long Term	9.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	91.00	ACUITE BBB Stable (Reaffirmed)
06 Aug 2021	Letter of Credit	Short Term	10.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	8.23	ACUITE A3+ (Reaffirmed)
	Term Loan	Long Term	9.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	91.00	ACUITE BBB Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE A3+ Reaffirmed
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	70.00	ACUITE BBB Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	29.76	ACUITE BBB Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Term Loan	05 Mar 2021	Not avl. / Not appl.	30 Mar 2026	Simple	11.06	ACUITE BBB Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Term Loan	05 Mar 2021	Not avl. / Not appl.	30 Mar 2026	Simple	8.66	ACUITE BBB Stable Reaffirmed

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Samarth A D Protex Private Limited	Group Company
Shree Ram Electrocast Jharkhand Private Limited	Group Company

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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