



Press Release
Samarth Fablon Private Limited
November 07, 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	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of ‘**ACUITE BBB**’ (read as **ACUITE triple Ba**) 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 profitability margins have improved marginally. The revenue of the group stood at Rs. 364.88 crore in FY24(Prov.) as against Rs. 376.31 crore in FY23. The group’s revenue stood at ~Rs.235 Crore in H1FY25. The Group’s EBITDA margin improved and stood at 15.43 percent in FY24(Prov.) as against 15.08 percent in FY23 and 7.41 percent FY22. The PAT margin improved marginally and stood at 1.57 percent in FY24(Prov.) as against 1.41 percent in FY23. 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. 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 the 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 A D 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. The registered office of the company is in Kolkata.

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. The registered office of the company is in Kolkata.

Unsupported Rating

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 (SG) 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 group has moderate financial risk profile marked by moderate net worth, below average gearing and average debt protection metrics. The tangible net worth of the group increased to Rs. 144.38 crore as on March 31, 2024(Prov.), as against Rs. 139.61 crore as on March 31, 2023. The group's gearing stood at 1.77 times as on March 31, 2024(Prov.), as against 1.79 times in the March 31, 2023. The total debt of Rs. 256.14 crore as on March 31, 2024(Prov.), consists of long-term borrowings of Rs.98.28 crore and short-term debt borrowings of Rs.157.86 crore against the total debt of Rs. 249.76 Crore as on March 31, 2023. The long-term borrowings majorly consist of the loan taken for capacity expansion of SREJPL. The interest coverage ratio stood at 2.14 times in FY24(Prov.) as against 2.37 times in FY23. The DSCR stood at 1.43 times in FY24(Prov.) as against 1.49 times in FY23. 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 317 days as on March 31, 2024(Prov.), as against 229 days as on March 31, 2023. The inventory days stood at 212 days as on March 31, 2024(Prov.), as against 163 days as on March 31, 2023. The inventory is high in FY24 since the group had stocked up a large variety of PP bags for varied specifications like cement type, brand names etc to support their rolling stock requirement and for smooth order execution. The debtor days stood at 97 days as on March 31, 2024(Prov.), as against 57 days as on March 31, 2023, and the creditors days stood at 96 days as on March 31, 2024(Prov.), as against 23 days as on March 31, 2023. Working capital requirement is funded through bank lines, the average fund-based utilisation of bank facilities is ~68.66 percent for 6 months ended as on August'2024 for the group.

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.
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. 30.37 crore in FY24(prov.) as against debt obligations of Rs.13.24 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.36.72 - 41.27 crore during FY2025-26 against repayment obligations ranging from Rs. 6.76-13.82 crore for the same period. The group maintains cash and bank balances of Rs.3.94 crore as on March 31, 2024(Prov.). The current ratio stood at 1.38 times as on March 31, 2024(Prov.). Acuite believes liquidity profile will remain adequate in medium term backed by steady net cash accruals.

Outlook: Stable**Other Factors affecting Rating**

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	364.88	376.31
PAT	Rs. Cr.	5.74	5.30
PAT Margin	(%)	1.57	1.41
Total Debt/Tangible Net Worth	Times	1.77	1.79
PBDIT/Interest	Times	2.14	2.37

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. Acuite'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
04 Mar 2024	Term Loan	Long Term	11.06	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	70.00	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	8.66	ACUITE BBB Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	29.76	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	10.00	ACUITE A3+ (Reaffirmed)
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	Term Loan	Long Term	9.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	91.00	ACUITE BBB Stable (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	8.23	ACUITE A3+ (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	Quantum (Rs. Cr.)	Complexity Level	Rating
Central Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE A3+ Reaffirmed
Central Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	90.00	Simple	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.	29.48	Simple	ACUITE BBB Stable Reaffirmed

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

Sr. No	Name of the companies
1	Samarth A D Protex Private Limited
2	Samarth Fablon Private Limited
3	Shree Ram Electrocast Jharkhand Private Limited

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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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