

Press Release

Creative Fibrotech

March 21, 2021



Rating Assigned

Total Bank Facilities Rated*	Rs.5.00 Cr.
Long Term Rating	ACUITE B/Outlook: Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE B**' (**read as ACUITE B**) on the Rs.5.00 crore bank facilities of Creative Fibrotech (CF). The outlook is '**Stable**'.

About Company

Creative Fibrotech, is a Pune based firm, established in the year 2012. The firm is promoted and managed by Mr. Pankaj Shyam Chawla. The firm is engaged in manufacturing and export of FRP products. Automobile, electronics & electrical and allied engineering related industries are some of sectors where the offered FRP products find wide applications. The firm export its product to Dubai, U.K and Kuwait.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of CF to arrive at the rating.

Key Rating Drivers

Strengths

• Experience management

CF is a Pune based proprietorship firm incorporated in year 2012. The firm is promoted and managed by Mr. Pankaj Shyam Chawla, who possess an experience of a decade in the industry. The company is engaged in manufacturing and export of FRP products. The promoter's experience has helped the company to stabilise the operations and developing relationship with its customers and suppliers to scale up its operations. The firm reported an operating income of Rs.1.99 crore FY2019 and reported about Rs.2.31 crore for FY2020 (Provisional).

Acuité believes that the firm will continue to benefit from the promoters experience in the industry in improving its business risk profile over the medium term.

Weaknesses

• Moderate financial risk profile

CF financial risk profile is average marked by low net worth, high gearing (debt-equity) and moderate debt protection metrics. The tangible net worth of the firm stood at Rs.0.40 crore as on March 31, 2020 (Provisional) as against Rs.0.30 crore as on March 31, 2019. The total debt of Rs.2.21 crore as on March 31, 2020 (Provisional) consist of long term debt of Rs.2.14 crore, unsecured loan from promoter of Rs.0.01 crore and short term borrowing of Rs.0.05 crore. The gearing (debt-equity) stood high at 5.49 times as on March 31, 2020 (Provisional) as compared to 4.90 times as on March 31, 2019. The increase in gearing is on account of long term debt availed by the firm. The Interest Coverage Ratio stood at 1.82 times in FY2020 (Provisional) as against 3.02 times in FY2019. Total Outside Liabilities/Total Net Worth (TOL/TNW) stood at 6.35 times as on March 31, 2020 (Provisional) as against 6.46 times as on March 31, 2019. Net Cash Accruals to Total Debt (NCA/TD) also stood at 0.09 times for FY2020 (Provisional) as against 0.12 times in FY2019.

Acuité believes that the financial risk profile of CF will continue to remain average over the medium term.

• **Intensive working capital cycle**

The firm has an intensive working capital cycle marked by Gross Current Assets (GCA) days of 225 days in FY2020 (Provisional) and 228 days in FY2019. The receivable days stood at 79 days in FY2020 (Provisional) as against 131 days in FY2019. The inventory days stood at 102 days in FY2020 (Provisional) as against 84 days in FY2019. However, the average bank limit utilization stood high at 99 percent for the last trailing 8 months ended November 2020.

Acuité believes that efficient working capital management will be crucial to the firm in order to maintain a healthy risk profile.

Rating Sensitivities

- Improving scale of operations while maintaining profitability.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Material Covenants

None

Liquidity Position: Stretched

CF has stretched liquidity marked by moderate net cash accruals and high bank limit utilization. The firm generated cash accruals of Rs.0.05-0.15 crore during the last three years through 2018-20. The firm's working capital operations are intensive marked by Gross Current Asset (GCA) of 225 days in FY2020 (Provisional) as against 228 days in FY2019. The firm had unencumbered cash and bank balances of Rs.0.04 crore as on March 31, 2020 (Provisional). The current ratio of the firm stood healthy at 3.71 times as on March 31, 2020 (Provisional) as against 2.48 percent in FY2019. The working capital bank limits remained fully utilized at ~99 percent for the last trailing 8 months ended November 2020.

Outlook: Stable

Acuité believes that CF will continue to maintain a 'Stable' outlook over the near to medium term owing to its established market position and experienced management. The outlook may be revised to 'Positive' in case the firm achieves higher than expected growth in revenues and improvement in profitability, working capital management and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in revenues and operating profit margins or deterioration in the capital structure and liquidity position on account of higher-than-expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	2.31	1.99
PAT	Rs. Cr.	0.17	0.15
PAT Margin	(%)	7.46	7.68
Total Debt/Tangible Net Worth	Times	5.49	4.90
PBDIT/Interest	Times	1.82	3.02

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>
- 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 (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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.10	ACUITE B/Stable (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	4.90	ACUITE B/Stable (Assigned)

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About Acuité Ratings & Research:

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