Press Release

Manhar Polymers Private Limited

June 04, 2021

Rating Assigned

Total Bank Facilities Rated*	Rs. 34.00 Cr.
Long Term Rating	ACUITE BBB+/Stable (Assigned)

** Refer Annexure for details*

Rating Rationale

Acuité has assigned the long term rating of **'ACUITE BBB+' (read as ACUITE triple B plus)** on the Rs.34.00 crore bank facilities of Manhar Polymers Private Limited (MPPL). The outlook is **'Stable'**.

The rating continues to reflect the extensive experience of the management and established track of operation in the plastic industry. The rating also reflects established market position of the group in the eastern part of the country along with healthy relationship with reputed clientele. However, these strengths are partially offset by the working capital intensive nature of operation and on-going debt funded capital expenditure plan by the group.

About the company

Manhar Polymers Private Limited was incorporated in 2019 by Mr. Sajjan Bansal and Mr. Rakesh Kumar Sharma and started its commercial operation form June 2020 onwards. The company is engaged in manufacturing polypropylene (PP) and high density polypropylene (HDPE) bags and fabrics. The company has its manufacturing facility located in Asansol, West Bengal with an installed capacity of 3600 MTPA.

About the group

Shri Maa Group is an Asansol based group which started its operations in 2002 with the manufacturing of polypropylene (PP) and high-density polypropylene (HDPE), woven sack, fabrics, leno bags and non-woven sacks among others. The group has also started manufacturing of face mask and personal protective equipment (PPE) kit from 2020 onwards after the outbreak of covid-19. The group comprises of Asansol Polyfabs Private Limited (2002), Shri Maa Polyfabs Limited (2005), Hariom Polypacks Limited (2012), Shri Dakshineswari Maa Polyfabs Limited (2016) and Manhar Polymers Private Limited (2019). The promoters, Mr. Sajjan Bansal and Mr. Rajesh Kumar Sharma, have been involved in the business for past 20 years.

Analytical Approach:

Acuité has considered the consolidated financial and business risk profile of Asansol Polyfabs Private Limited (APPL), Shri Maa Polyfabs Limited (SMPL), Hariom Polypacks Private Limited (HPPL) and Shri Dakshineswari Maa Polyfabs Limited (SDMPL). The same is on account of common management, same line of operations and significant operational and financial linkages. Acuité has also consolidated the business and financial risk of Manhar Polymers Private Limited (MPPL) – a newly acquired unit by the group in 2019, which has similar line of operation and has significant operational and financial linkages. The group is herein being referred to as Shri Maa Group. Extent of consolidation: Full

Key Rating Drivers:

Strengths

Experienced management and long track record of operation

Shri Maa group was established in the year 2002 by Mr. Sajjan Bansal and Mr. Rajesh Kumar Sharma. The promoters of the group have almost 20 years of experience in the plastic and packaging industry. The extensive experience of the management has helped the group establish long-term relations with suppliers resulting in direct procurement of polypropylene from Haldia Petrochemical Limited (HPCL), Reliance Industries Limited (RIL), and Indian Oil Corporation Limited (IOCL) among others. Moreover, their experience has also helped in building healthy customer relations with reputed customers such as Birla Corporation Limited, ACC Limited, Ultratech Cement Limited, JSW Cement Limited, and Shree Cement Limited among others in the eastern part of the country. Acuité believes that the group will continue to benefit from long experience of the management in establishing relations with their key suppliers and customers.

Healthy financial risk profile

The financial risk profile of the group is marked by healthy net worth, comfortable gearing and strong debt protection metrics. The net worth of the group stood at Rs.179.90 crore in FY2021 (Prov.) as compared to Rs 116.16 crore in FY2020. This improvement in networth is mainly due to the retention of current year profit and capital infusion by the promoters of Rs.12.90 crore in FY2021 (Prov.). The gearing of the group stood comfortable at 1.03 times as on March 31, 2021 (Prov.) when compared to 1.31 times as on March 31, 2020. This improvement in gearing is mainly on account of improvement in networth during the period. Interest coverage ratio (ICR) is strong and stood at 4.65 times in FY2021 (Prov.) as against 2.32 times in FY 2020. The debt service coverage ratio (DSCR) of the group also stood strong at 3.01 times in FY2021 (Prov.) as compared to 1.18 times in the previous year. The net cash accruals to total debt (NCA/TD) stood comfortable at 0.34 times in FY2021 (Prov.) as compared to 0.15 times in the previous year. Going forward, Acuité believes the financial risk profile of the group will remain healthy despite the ongoing capex and steady net cash accruals.

Healthy scale of operation coupled with improving profitability margin

The group reported a turnover of Rs.531.02 crore in FY2021 (Prov.) as compared to Rs.385.72 crore in the previous year, thereby registering a ~38 per cent y-o-y growth. This growth in revenue of the group is mainly due to increase in trading of polypropylene along with growing demand of PP bags and sacks in the domestic market during the period. The group has also ventured into manufacturing of face mask and personal protective equipment (PPE) during FY2020, which ensured the steady demand during the nation-wide lockdown and further led to sharp increase in their top-line. Going forward, Acuité believes that the group will continue its current pace of growth backed by increasing demand of PP bags, face mask and PPE kit.

The operating profitability margin of the group has improved to 15.70 per cent in FY2021 (Prov.) as compared to 11.24 per cent in the previous year. This improvement in profitability margin of the group is mainly on account of decrease in the raw material price and increase in average realization of face mask and PPE kit backed by healthy demand during the period. The net profitability margin of the group stood comfortable at 5.22 per cent in FY2021 (Prov.) as compared to 2.64 times in the previous year. Further, the profitability margins have led to increase in accruals which has sharply increased to Rs.62.16 crore in FY2021 (Prov.) as compared to Rs.22.21 crore in the previous year. Acuité believes the profitability margin of the group will be sustained at current levels over the medium term on account of well-established position in the eastern market along with steady demand for face mask, PPE kit and PP bags.

Weaknesses

Debt funded capital expenditure plan

The group is presently undertaking a capex in Shri Dakshineshwari Maa Polyfabs Limited (SDMPL) and in Manhar Polymers Private Limited (MPPL) to increase their current installed capacity from 8,400 MTPA to 18,960 MTPA in SDMPL and from 3,600 MTPA to 7,200 MTPA in MPPL respectively. The combined estimated project cost is around Rs.98.81crore which is expected to be funded through term loan from bank of Rs.64.00 crore and rest through the promoters own contribution. The project has already commenced with the building construction. However, the financial closure is yet to be achieved. The project is expected to complete by December 2021 and the commercial operation is expected to commence from January 2022. Hence, the group is exposed to project implementation risk as the completion of the project within the estimated time and cost will be a factor of key rating sensitivity. However, Acuité believes that the capital structure would remain at comfortable levels despite the capital expenditure due to the steady accruals of the group.

Working capital intensive nature of operation

The working capital intensive nature of operation of the group is marked by high gross current asset (GCA) days of 143 days in FY2021 (Prov.) and in FY2020 respectively. These high gross current asset (GCA) days are mainly on account of high other current asset of Rs.47.30 crore in FY2021 (Prov.) as compared to Rs.37.73 crore in the previous year. However, the inventory holding period by the group stood moderate at 51 days in FY2021 (Prov.) as compared to 44 days in the previous year. The collection period of the group is also stood moderate at 63 days in FY 2021 (Prov.) as against of 66 days in FY2020. The group has utilized ~85 per cent of its working capital facility for the last six months ended April 2021. Acuité believes any significant deviation in working capital management would be a key rating sensitivity factor.

Rating Sensitivity

- Sustenance in turnover growth and profitability margin

- Timely completion of debt-funded capital expenditure
- Working capital management

Material Covenant
None

Liquidity Position: Adequate
The group has adequate liquidity marked by healthy net cash accruals of Rs.62.15 crore as against Rs.20.69 long term debt obligation during FY2021 (Prov.). The cash accruals of the group are estimated to remain in the range of around Rs. 71.73 crore to Rs. 98.02 crore during 2022-24 as against Rs.20.69 crore in FY2022, Rs.28.00 crore in FY2023 and in FY2024 of long term debt obligations respectively. The current ratio of the group stood comfortable at 1.42 times in FY2021 (Prov.). The working capital management of the group is marked by high Gross Current Asset (GCA) days of 143 days in FY2021 (Prov.). The bank limit of the group has been ~85 per cent utilized during the last six months ended in April 2021. Moreover, the group has availed the covid emergency fund of Rs. 33.91 crore. The said loan has to be repaid over a period of 4 years including 1 year of moratorium. The group had also availed the loan moratorium till August 2020. Acuité believes that the liquidity of the group is likely to remain adequate over the medium term on account of healthy cash accruals against long debt repayments over the medium term.

Outlook: Stable
Acuité believes that Shri Maa Group will maintain a 'Stable' outlook over the medium term owing to its promoters' extensive experience in the industry and longstanding relations with clientele. The outlook may be revised to 'Positive' in case the company achieves more than envisaged sales and profitability while efficiently managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and profitability or the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirement.

About the Rated Entity - Key Financials (Consolidated)

	Unit	FY21 (Prov.)	FY20 (Actual)
Operating Income	Rs. Cr.	531.02	385.72
PAT	Rs. Cr.	27.71	10.19
PAT Margin	(%)	5.22	2.64
Total Debt/Tangible Net Worth	Times	1.03	1.31
PBDIT/Interest	Times	4.65	2.32

About the Rated Entity - Key Financials (Standalone)

	Unit	FY21 (Prov.)	FY20 (Actual)
Operating Income	Rs. Cr.	36.54	1.08
PAT	Rs. Cr.	2.12	0.01
PAT Margin	(%)	5.80	1.00
Total Debt/Tangible Net Worth	Times	0.35	201.38
PBDIT/Interest	Times	8.46	1.08

Status of non-cooperation with previous CRA (if applicable)
None

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
- Trading Entities – https://www.acuite.in/view-rating-criteria-61.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. Crore)	Ratings/Outlook
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	24.00	ACUITE BBB+/Stable (Assigned)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB+/Stable (Assigned)

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About Acuité Ratings & Research:

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