



Press Release
Forace Polymers Private Limited
September 23, 2024
Rating Reaffirmed and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	178.82	ACUITE A- Reaffirmed & Withdrawn	-
Bank Loan Ratings	3.18	Not Applicable Withdrawn	-
Bank Loan Ratings	68.00	-	ACUITE A2+ Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	250.00	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) and the short-term rating of '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs. 246.82 Cr. bank facilities of Forace Polymers Private Limited. Further Acuite has withdrawn the proposed long-term rating on the Rs. 1.68 crore bank facilities of Forace Polymers Private Limited without assigning any rating as it is a proposed facility. The rating withdrawal is in accordance with Acuite's policy on withdrawal of rating as applicable to the respective facility / instrument. The rating has been withdrawn on account of the request received from the company along with No Objection Certificate received from the lender. Further Acuite has withdrawn the long-term rating on the Rs. 1.50 crore bank facilities of Forace Polymers Private Limited without assigning any rating as the instrument is fully repaid. The rating withdrawal is in accordance with Acuite's policy on withdrawal of rating as applicable to the respective facility / instrument. The rating has been withdrawn on account of the request received from the company along with No Due Certificate received from the lender.

Rationale for reaffirmation

The recommendation factors the decline in the company's scale of operations, healthy financial risk profile, adequate liquidity profile of the company. However, the rating is

constraint with intensive working capital operations and profitability being susceptible to raw material prices.

About the Company

Forace Polymers Private Limited (FPPL) was established in the year 1980 by the late Mr S. K. Garg. Since 2001, FPPL is being managed by Mr Vikas Garg, son of the late Mr S. K. Garg. The company is engaged in the manufacturing of Phenolic Resins having its applicability in many industries including foundry, refractory, abrasives, friction and rubber. The current installed capacity of FPPL stands at 90000 MTPA and the company further plans to expand it to around 120000 MTPA. FPPL has a manufacturing plant in Haridwar (Uttarakhand) India, with its sales office-cum-service centres spread PAN-India, positioned in major cities including Coimbatore, Jamshedpur, Mumbai, etc. FPPL also has an overseas subsidiary; FP Speciality (PTY)Ltd. with its registered office in Gauteng, South Africa.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered a standalone financial and business risk profile of Forace Polymers Private Limited (FPPL).

Key Rating Drivers

Strengths

Experienced management and established track record of operations

FPPL was established in the year 1980 by the late Mr S. K. Garg. Since 2001, FPPL is being managed by Mr. Vikas Garg, son of the late Mr. S. K. Garg. The current promoters have more than two decades of experience in the resins industry. The extensive experience has helped the management to build strong reputation and brand in the industry over the years. Moreover, their experience has also helped in building healthy relations with reputed customers such as, Mahindra & Mahindra, Jindal Saw Ltd. among others. Further, for procurement of raw materials the company has association with large companies like Deepak Phenolics Ltd etc. Acuité believes that the company will continue to benefit from the extensive experience of the management in establishing key relations with their suppliers and customers.

Financial Risk Profile

FPPL's financial risk profile is healthy marked by healthy net worth, moderate gearing, and healthy debt protection metrics. The net worth of the company stood at Rs. 176.10 Cr. as on March 31, 2024 (Prov.) against Rs. 157.59 Cr. as on March 31, 2023. The company has issued non-cumulative preference shares to the promoters of Rs.103.59 Cr. for a period of 20 years and are redeemable in 2036. The gearing of the company improved and stood at 1.13 times on March 31, 2024 (Prov.) as against 1.26 times as on March 31, 2023. The debt protection metrics (i.e. ICR & DSCR) are expected to deteriorate marginally and remain at 4.11 times and 1.99 times for FY2024 (Prov.) against 4.74 times and 2.49 times for FY2023 respectively.

Weaknesses

Intensive Working Capital Cycle

The company's operations are working capital intensive marked by Gross Current Asset (GCA) days of 187 days in FY2024 (Prov.) against 176 days in FY2023. The elongation of GCA days is primarily contributed by elongated debtor days of 124 days in FY2024 (Prov.) against 115 days in FY2023. The company directly caters to multiple industries including foundry, refractory, abrasive, rubber etc. The payment terms of every industry being different company has to extend longer credit period resulting in elongation of collections which further leads to increase in creditor days from 71 days in FY 23 to 79 days in FY 24 (Prov.). The company has been maintaining average inventory days of 59 days in FY2024 (Prov.) against 57 days in FY 23.

Profitability susceptible to fluctuations in prices of raw material

The major raw material for the company is the base chemical derived from natural gas and crude oil. The company's performance remains vulnerable to cyclicalities in the oil industry as prices for the industry are highly volatile and may affect the market demands. Moreover, the prices of the same are fluctuating in nature, therefore the operating performance of the company remains susceptible to raw material price fluctuation. However, company has been able to maintain stable operating margins over the years which shows that company can pass on the price fluctuations to its customers.

Rating Sensitivities

Not Applicable

Liquidity Position

Adequate

The liquidity profile of the company is adequate as net cash accruals generated is Rs. 35.71 Cr in FY 2024 (Prov.), against current maturities of long- term debt of Rs. 11.20 Cr. over the same period. The current ratio of the company is 1.26 times for FY 2024 (Prov.). The cash & bank

balance of the company is Rs. 5.73 Cr. as on 31st March 2024 (Prov.). Acuite believes the liquidity is expected to remain adequate on the back of cushion between net cash accruals and debt repayment obligations with steady accruals over the medium term.

Outlook

Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	684.12	780.33
PAT	Rs. Cr.	18.46	25.06
PAT Margin	(%)	2.70	3.21
Total Debt/Tangible Net Worth	Times	1.13	1.26
PBDIT/Interest	Times	4.11	4.74

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

In order to inform the investors about complexity of instruments, Acuite 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
28 Jun 2023	Cash Credit	Long Term	25.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	1.50	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	3.54	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	18.13	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	12.50	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	6.65	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	43.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	30.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE A- Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	1.68	ACUITE A- Stable (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	20.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	43.00	ACUITE A2+ (Reaffirmed)
31 Mar 2022	Term Loan	Long Term	3.58	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	5.42	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	18.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	10.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	7.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	43.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	20.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	20.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	30.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	20.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE A- Stable (Assigned)
	Bank Guarantee (BLR)	Short Term	1.00	ACUITE A2+ (Assigned)
		Short		

	Letter of Credit	Term	4.00	ACUITE A2+ (Assigned)
	Bank Guarantee/Letter of Guarantee	Short Term	20.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	43.00	ACUITE A2+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE A2+ Reaffirmed & Withdrawn
Bajaj Finserv Limited	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE A- Reaffirmed & Withdrawn
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	ACUITE A- Reaffirmed & Withdrawn
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	43.00	ACUITE A- Reaffirmed & Withdrawn
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	30.00	ACUITE A- Reaffirmed & Withdrawn
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE A- Reaffirmed & Withdrawn
ICICI Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	43.00	ACUITE A2+ Reaffirmed & Withdrawn
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A2+ Reaffirmed & Withdrawn
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.68	Not Applicable Withdrawn
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	19 Jul 2023	Simple	1.50	Not Applicable Withdrawn
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	04 Nov 2024	Simple	3.54	ACUITE A- Reaffirmed & Withdrawn
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Nov 2026	Simple	18.13	ACUITE A- Reaffirmed & Withdrawn
Axis Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	07 Dec 2027	Simple	6.65	ACUITE A- Reaffirmed & Withdrawn

Bajaj Finserv Limited	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	21 Oct 2026	Simple	12.50	ACUITE A- Reaffirmed & Withdrawn
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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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