

Press Release

Krishna Polynet

August 31, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 8.05 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+** (read as **ACUITE B plus**) to the Rs. 8.05 crore bank facilities of Krishna Polynet (KP). The outlook is '**Stable**'.

Krishna Polynet (KP) based at Gujarat was established in 2003 as a partnership firm. The firm is engaged in manufacture and supply of Packing Net Bags and PVC Cling Films. The products offered find their wide use in various packaging applications as well as in farms for protecting crops from insects. The manufacturing facility is located at Dhoraji (Gujarat) with installed capacity of 60 tons per month for Packing Net bags and 30 tons per month for PVC Cling Films.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the firm to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced Partner's and establish track record**

The Partners, Mr. Gopal Hirapara, Mr. Bipin Rakholiya, Mr. Atul Domadiya and Mr. Manoj Hirapara are in same line of business since 2003. Their rich experience of over a decade in manufacturing of packaging net bags and PVC film business has helped the firm to establish its market position and maintain longstanding relations with its customer and suppliers. The firm also caters to reputed clients like Reliance Retail Limited for which KP is pan India vendor for supply of packaging net bags.

- **Modest financial risk profile**

The financial risk profile of the firm is marked by net worth of Rs.4.41 crore in FY2018 as compared to Rs.1.15 crore in FY2017. The net worth includes unsecured loan of Rs.2.80 crore in FY2018 and Rs.1.15 crore in FY2017 which is subordinated with the bank facilities. The debt-equity ratio stood comfortable at 0.82 times in FY2018 and 0.01 times in FY2017. The DSCR and interest coverage ratio stood at 1.39 times in FY2018 and 1.65 times in FY2017.

Weaknesses

- **Moderate scale of operations**

KP has been in the same line of business for more than a decade but the scale of operation remain moderate marked by operating income of Rs.10.50 crore in FY2018 and Rs.7.01 crore in FY2017. The Reliance Retail Limited is the only major customer of the firm. However, firm is undergoing expansion to increase its capacity of PVC Cling Films to 90 tons per month which will add to the revenues and help in scaling up of operations.

- **Working capital intensive nature of operations**

The firm's working capital intensive nature of operation is marked by high Gross Current Assets (GCA) of 294 days in FY2018 as compared to 149 days in FY2017. The GCA days are mainly dominated by high debtor days of 61 in FY2018 compared to 52 days in FY2017. The bank limit utilisation also stood high at 77.00 percent in last six months ending July 2018.

- **Competitive and fragmented industry**

KP operates in a highly fragmented and competitive industry with limited entry barriers marked by presence of large numbers of players in the unorganised sector limits the bargaining power with customers and better pricing from suppliers.

Outlook: Stable

Acuité believes that the outlook will remain 'Stable' over the medium term. The firm will continue to benefit from its long track record of operations and experience of the partners'. The outlook may be revised to 'Positive' in case the firm registers sustained growth in revenues while achieving significant improvement in profit margins. Conversely, the outlook maybe revised to 'Negative' in case of steep decline in revenue and profit margins or significant deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	10.50	7.01	6.03
EBITDA	Rs. Cr.	0.65	0.24	0.14
PAT	Rs. Cr.	0.07	0.03	0.03
EBITDA Margin (%)	(%)	6.15	3.48	2.35
PAT Margin (%)	(%)	0.68	0.41	0.45
ROCE (%)	(%)	10.16	8.41	9.74
Total Debt/Tangible Net Worth	Times	0.82	0.01	0.07
PBDIT/Interest	Times	1.39	1.65	2.63
Total Debt/PBDIT	Times	5.62	0.15	0.80
Gross Current Assets (Days)	Days	294	146	94

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	6.55	ACUITE B+ / Stable

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-67141111 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Rupesh Patel Analyst - Rating Operations Tel: 022-67141320 rupesh.patel@acuiteratings.in	

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.