

Anand Poly Pack Private Limited
 January 14, 2021

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	14.84	CARE BB-; Stable (Double B Minus; Outlook: Stable)	Assigned
Total Facilities	14.84 (Rupees Fourteen Crore and Eighty Four Lakhs only)		

*Details of facilities in Annexure-1

Detailed Rationale and key rating drivers

The rating assigned to the bank facilities of **Anand Poly Pack Private Limited (APPL)** is constrained by small scale of operation and exposure to intense competition, susceptibility to volatile raw material prices, elongated operating cycle resulted into large working capital requirement and moderately weak debt coverage indicators. The rating, however, derives comfort from experienced promoters and established distributor base and moderate capital structure.

Rating Sensitivities**Positive factors**

- Increase in scale of operation (turnover beyond Rs.50 crore) while maintaining its current operating margin on a sustained basis.
- Improvement in gross current assets days below 180 days with reduced reliance on external borrowing for funding its large working capital requirement on a sustained basis.

Negative factors

- Any further deterioration in gross current assets days from current level and its increased reliance on external borrowing for funding these requirements on a sustained basis..

Detailed description of the key rating drivers**Key Rating Weaknesses**

Small scale of operation and exposure to intense competition: APPL is a relatively small player in the intensely competitive plastic-moulded furniture business with total operating income of Rs.25.44 crore (FY19: Rs.27.99 crore) and PAT of Rs.0.15 crore (FY19: Rs.0.08 crore) in FY20. Further, the total operating income has witnessed erratic trend during last three years (FY18-FY20). Furthermore, the net worth base and total capital employed also remained moderately low at Rs.11.75 crore and Rs.29.42 crore, respectively, as on March 31, 2020. The small size restricts the financial flexibility of the company in times of stress and it suffers on account of economies of scale and also this limits pricing power with suppliers and customers. The operating margin has witnessed erratic trend during last three years but the same remained moderate at 12.24% in FY20 as against 11.25% in FY19 and 17.48% in FY18. The operating margin was deteriorated significantly during FY19 over FY18 mainly due to higher increase in selling expenses. Moreover, the operating margin marginally improved during FY20 over FY19 on account of better management of cost of operations. Though, the PAT margin has improved year on year during last two years, but the same remained low mainly due to higher capital costs. There was restriction on the operation since the lockdown was imposed on 25th March, 2020 and accordingly the company was not able to operate. However, the company has resumed its production from May 17, 2020 and the company has booked revenue of Rs.20.16 crore with a PBT of Rs.0.25 crore during the period from April 01, 2020 to December 31, 2020.

Susceptibility to volatility in prices of raw materials: The prices of the key raw materials, polypropylene granules, are highly volatile as it is a crude oil derivative. Business risk profile and profitability of the company will remain susceptible to such volatility, which is compounded by a sizeable inventory.

Elongated operating cycle resulted into large working capital requirement: The operating cycle of the company remained elongated due to high inventory and debtor's collection period during last three years. The company maintains inventory of raw material for smooth functioning of its production process and also for mitigating price fluctuation risk. The inventory level further increased as on March 31, 2020 due to country wide lockdown imposed in the month of March 2020 owing to COVID 19 pandemic. Further, the company also maintains inventory of finished goods for around 2 to 3 months for timely supply of its customer demand. Furthermore, the company allows around 3 months credit to its customers where as it avails credit from suppliers of around 2 months. Accordingly, the utilisation of bank limits remain on the higher side at 87.31% for the last 12 months ended on December 31, 2020.

Moderately weak debt coverage indicators: The debt coverage indicators remained moderately weak marked by interest coverage of 1.75x and total debt to GCA of 13.94x in FY20. Improvement in interest coverage in FY20 was on account of low interest expenses during the year. Due to increase in debt level owing to aforesaid reason; the TD/GCA has deteriorated in FY20.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

Key Rating Strengths

Experienced promoters and established distributor base: The key promoter; Mr. Pradip Tahlani, has more than a decade of experience in plastic moulded furniture business. He looks after the day to day operation of the company supported by other promoters Mr. Mahesh Tahlani and Mr. Sundar Lal Tahlani who also have more than a decade of experience in the same industry. The promoters have deep understanding of industry dynamics and built healthy relationship with customers and suppliers. This has led to strong recall for the company's brand Crown brand, especially in eastern India. The promoters are also supporting by way of infusing of unsecured loan in the business.

Moderate capital structure: The capital structure of the company remained moderate as marked by overall gearing ratio of 1.50x as on March 31, 2020. Deterioration in the overall gearing ratio was on account of higher utilisation of bank limits and increase in term debt during FY20.

Liquidity: Stretched – The liquidity of the company remained stretched as reflected by its high bank limit utilization, high operating cycle at 318 days in FY20 and low cash and cash equivalent of Rs.0.29 crore as on March 31, 2020. Moreover, the company has modest cushion in accruals vis-a-vis debt repayment obligations and above unity current ratio as on March 31, 2020. The average utilization of bank limits was around 87.31% during last 12 month ended on December 31, 2020. During FY20, the company has reported a gross cash accrual of Rs.1.27 crore as against fixed debt repayment obligations of Rs.0.79 crore for FY21. The company has availed moratorium over interest on cash credit and EMI's repayment of term loan from March 2020 to May 2020. Further, the company has availed COVID relief loan of Rs.2.40 crore from its lender.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria on assigning 'outlook' and 'credit watch'](#)

[Rating Methodology-Manufacturing Companies](#)

[Financial ratios – Non-Financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[CARE's Policy on Default Recognition](#)

About the Company

Anand Poly Pack Private Limited (APPPL) was incorporated in December 2005 and currently the operation of the company is being managed by Mr. Pradip Tahlani, Mr. Mahesh Tahlani and Mr. Sundar Lal Tahlani. The company manufactures and markets injection moulded plastic furniture. The manufacturing plant of the company is located at Howrah, West Bengal with a production capacity of 15 lac pieces of furniture. The company sells its products under the brand name of 'Crown' in the state of West Bengal, Bihar, Jharkhand, Odisha, Assam and Uttar Pradesh and currently it has around 200 distributors for marketing of its products.

Brief Financials (Rs. crore)	31-03-2019	31.03-2020
	A	A
Total operating income	27.99	25.44
PBILDT	3.15	3.11
PAT	0.08	0.15
Overall gearing (times)	1.40	1.50
Interest coverage (times)	1.70	1.75

A: Audited;

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	11.30	CARE BB-; Stable
Fund-based - LT-Working capital Term Loan	-	-	June 2024	2.40	CARE BB-; Stable
Fund-based - LT-Term Loan	-	-	January 2023	1.14	CARE BB-; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	11.30	CARE BB-; Stable	-	-	-	-
2.	Fund-based - LT-Working capital Term Loan	LT	2.40	CARE BB-; Stable	-	-	-	-
3.	Fund-based - LT-Term Loan	LT	1.14	CARE BB-; Stable	-	-	-	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not applicable

Annexure 4: Complexity level of various instruments rated for this Company:

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple
3.	Fund-based - LT-Working capital Term Loan	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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