

**Polyspin Exports Limited**  
 July 03, 2019

**Rating**

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	23.97 (enhanced from 19.41)	<b>CARE BBB-; Stable</b> (Triple B Minus; Outlook: Stable)	<b>Revised from CARE BB+; Stable (Double B Plus; Outlook: Stable)</b>
Short-term Bank Facilities	61.00 (enhanced from 48.00)	<b>CARE A3</b> (A Three)	<b>Revised from CARE A4+ (A Four Plus)</b>
<b>Total</b>	<b>84.97</b> <b>(Rupees Eighty Four Crores &amp; Ninety Seven lakh only)</b>		

*Details of facilities in Annexure-1*

**Detailed Rationale & Key Rating Drivers**

The revision in the ratings assigned to the bank facilities of Polyspin Exports Limited (PEL) factor in the consistent growth in the operating income with improving profitability margins and reduction in leverage levels over the last few years. The ratings, continue to derive strength from vast experience of the promoters and operational track record of PEL for more than two decades in the polypropylene segment, locational advantage of the unit and adequate liquidity position.

The ratings, however, continue to be constrained by its modest scale of operations, moderate gearing and debt protection metrics, susceptibility of profits to volatile raw material prices and the presence of the company in the intensely competitive packaging industry.

Going forward, PEL's ability to further grow its scale of operations while maintaining its profitability margins, prudently manage its working capital requirements and improve its capital structure are key rating sensitivities.

**Detailed description of the key rating drivers****Key Rating Strengths*****Vast experience of the promoters and operational track record of more than three decades***

PEL is into the field of poly propylene product business since 1985. The promoters were initially into manufacturing of HDPE/PP bags and thereafter started production of FIBC bags. As a diversification process, textile unit was started by the promoters. Due to its long operational track record of more than two decades in the packaging industry, the company has forged good relationships with its customers and suppliers.

***Locational advantage of the unit out of its proximity to Tuticorin Port***

PEL's FIBC unit is 100% export oriented and imports a considerable part of its raw materials from foreign countries. Tuticorin port is located within 130 kms from the unit, making it cheaper for transportation of goods and the lead time for transportation is also less due to its location.

***Consistent increase in scale of operations and improvement in Margins***

PEL reported a growth of 18% in the total operating income from Rs. 181 Crores in FY18 to Rs.215 crore during FY19 backed by growth in volume and better realisations. The PBILDT margins of the company witnessed an improvement from 8.72% during FY18 to 9.39% during FY19. The company undertook various machine automation and employee productivity improvement measures which coupled with the better realisations led to the improvement in the PBILDT margin. PAT margin also improved from 2.75% in FY18 to 3.40% in FY19.

***Liquidity: Adequate***

The liquidity profile of the company is marked by sufficient cushion in accruals to meet the repayment obligations supported by cash and bank balance of Rs. 4.11 Crores as on March 31, 2019. The operating cycle of the company stood moderate at 60 days during FY19. The inventory holding level is at 49 days for FY19. In FY19, the creditors' period was at 29 days and had decreased from 33 days as of FY18. Receivables period was at 40 days in FY19 (compared to 44 days in FY18) and has remained stable. The average fund based working capital utilization stood high at 69% for the past 12 months ended April 2019.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

### Key Rating Weaknesses

#### **Raw material price dependent on crude oil price which is volatile**

PEL's major raw material is Poly Propylene granule which is derived from crude oil. Price of PP granule is volatile in nature, since, it is dependent on movement of crude oil prices. Thereby, the prices of the raw materials have a direct effect on the operating margins of PEL.

#### **Moderate gearing and debt protection metrics**

PEL's overall financial risk profile is moderate comprising borrowing in the form of term loan and working capital. The overall gearing as on March 31, 2019 stood at 1.86x compared to 2.05x as on March 31, 2018 and has been improving year on year with generation and retention of cash accruals. Fresh term loan of Rs 10 Crores during FY19, towards increase in capacity of FIBC and addition of new machineries. Total debt to GCA is at a high level of 5.72 years on March 31, 2019 depicting moderate debt protection metrics. The PBILDT/Interest ratio has improved marginally from 3.02 during FY18 to 3.59 during FY19.

### Industry outlook and prospects

The global flexible intermediate bulk container (FIBC) market has been witnessing considerable growth rate in recent years. The rising food & beverage and pharmaceuticals industries and the growing need to reduce the overall weight of bulk packaging is anticipated to drive the global FIBC market, especially in the construction industry, food & beverages, pharmaceuticals, agricultural, and chemical industries over the coming years. However, the packaging Industry is characterised by the presence of a large number of organised and unorganised players as well as introduction of different types of bio degradable products. The intense competition in this segment also restricts the profit margins of the companies in this segment. Further, the ongoing trade war between US and China and the implementation of tariff has had indirect impact in the Indian and Global economics and indirectly affecting the Indian FIBC market in general. The ability of the company to overcome competition from the peers while maintaining its margins as well as the developments in the US China trade would be a key monitorable from a credit perspective.

**Analytical approach:** Standalone

### Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

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

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

[Criteria for Short Term Instruments](#)

[Criteria for Manufacturing Companies](#)

### About the Company

PEL is a 100% EOU promoted in 1985 as limited company by Mr R Ramji (MD). PEL was initially into manufacturing of HDPE/PP bags and has started full-fledged production of Flexible intermediate bulk container (FIBC) bags from 1996. Over the years, PEL has developed an integrated manufacturing facility for FIBC with periodical up-gradation and innovation and has total capacity of 11000 MT as on March 31, 2019. Along with the FIBC division, PEL also has capacity to produce 300 MT PP woven fabric, 1500 PP yarn and textile division with 2400 rotors manufacturing cotton yarn as on March 31, 2019. PEL has a windmill with 250 KVA capacity for its captive consumption purposes. PEL's products are primarily used in fertilizer, building material, chemical and cement industry. The day-to-day management of the company is done by Mr R Ramji (MD) & Mr Ponram Barathy (ED) along with well qualified professionals.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	181.40	214.88
PBILDT	15.81	20.18
PAT	4.99	7.30
Overall gearing	2.05	1.86
Interest coverage (times)	3.02	3.59

A: Audited

### Status of non-cooperation with previous CRA:

CRISIL has conducted the review on the basis of best available information and has classified Polyspin Exports Limited as Non cooperating vide its press release dated April 5, 2019.

### Any other information:

Not Applicable

Rating History for 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-Term Loan	-	-	July 2024	17.67	CARE BBB-; Stable
Fund-based - ST-Foreign Demand Bills Payable	-	-	-	25.00	CARE A3
Fund-based - LT-Cash Credit	-	-	-	6.30	CARE BBB-; Stable
Fund-based - ST-EPC/PSC	-	-	-	22.00	CARE A3
Non-fund-based - ST-BG/LC	-	-	-	14.00	CARE A3

**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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	17.67	CARE BBB-; Stable	-	1)CARE BB+; Stable (26-Jul-18)	1)CARE BB+; Stable (04-Jul-17)	1)CARE BB+ (12-Aug-16) 2)CARE BB+ (02-Aug-16)
2.	Fund-based - ST-Foreign Demand Bills Payable	ST	25.00	CARE A3	-	1)CARE A4+ (26-Jul-18)	1)CARE A4+ (04-Jul-17)	1)CARE A4+ (12-Aug-16) 2)CARE A4+ (02-Aug-16)
3.	Fund-based - LT-Cash Credit	LT	6.30	CARE BBB-; Stable	-	1)CARE BB+; Stable (26-Jul-18)	1)CARE BB+; Stable (04-Jul-17)	1)CARE BB+ (12-Aug-16) 2)CARE BB+ (02-Aug-16)
4.	Fund-based - ST-EPC/PSC	ST	22.00	CARE A3	-	1)CARE A4+ (26-Jul-18)	1)CARE A4+ (04-Jul-17)	1)CARE A4+ (12-Aug-16)
5.	Non-fund-based - ST-BG/LC	ST	14.00	CARE A3	-	1)CARE A4+ (26-Jul-18)	1)CARE A4+ (04-Jul-17)	1)CARE A4+ (12-Aug-16)

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

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#### Disclaimer

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