

Polyspin Exports Limited

July 04, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	21.66 (reduced from 22.13)	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Reaffirmed
Short-term Bank Facilities	48.00 (reduced from 49.00)	CARE A4+ (A Four Plus)	Reaffirmed
Total	69.66 (Rupees Sixty Nine crore and Sixty Six lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Polyspin Exports Limited (PEL) continue to be constrained by the modest scale of operations of the company, moderate profit margin, high gearing levels and moderate debt protection metrics, volatile raw material prices and the presence of the company in the intensely competitive packaging industry.

The ratings, however, 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, diversified revenue generation and application of PEL's products in various industries.

Going forward, PEL's ability to increase sales, improve profit 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 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.

Financial Profile marked by High gearing and moderate debt protection metrics

PEL's overall financial risk profile is characterised by high level of borrowing in the form of term loan and working capital. PEL's overall gearing as on March 31, 2017, had improved to 2.35x compared to 2.85x as on March 31, 2016. Total debt to GCA is at a high level of 6.81 years on March 31, 2017, depicting moderate debt protection metrics.

The presence of the company in the intensely competitive packaging industry

The company operates in the packaging Industry which is characterised by the presence of a large number of organised and unorganised players. The Intense competition in this segment also restricts the profit margins of the companies in this segment.

Modest scale of operations of the company and moderate profit margin

PEL has reported revenue of Rs.155 crore during FY17 compared to Rs.136 crore in FY16 and hence has shown a growth rate of 13.65% over previous year. The company's operation has been increasing year on year over the past 5 years on account of steady demand from export markets for its products. The company had a PBILDT margin of 8.89% in FY17 compared to 8.11% in FY16.

Key Rating Strengths

Vast experience of the promoters and operational track record of more than two 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 has been started by the promoters. Due to its long operational track record of more than two decades in the packaging industry, the company has 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.

Diversified revenue generation

PEL has two operating divisions as on date, contributing to the revenue of the company. PEL's major portion of revenue is still derived from the FIBC division, which contributes around 75% of the total sales for FY 17. PEL has integrated nature of operations in the FIBC division which includes stitching, printing etc.

Textiles, PP woven fabrics & yarn are the next major revenue generating division at around 25% of the total sales. In FY17, the sales revenue from this segment has considerably increased.

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 9000 MT as on March 31, 2017. 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, 2017. 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.

During FY17, the company reported total operating income of Rs.155.1 crore and a PAT of Rs.3.7 crore as against Rs.136.4 crore and a PAT of Rs.2.9 crore, respectively, in FY16.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

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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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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	-	-	March 2022	13.66	CARE BB+; Stable
Fund-based - ST-Foreign Demand Bills Payable	-	-	-	19.00	CARE A4+
Fund-based - LT-Cash Credit	-	-	-	8.00	CARE BB+; Stable
Fund-based - ST-EPC/PSC	-	-	-	15.00	CARE A4+
Non-fund-based - ST-BG/LC	-	-	-	14.00	CARE A4+

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fixed Deposit	LT	-	-	-	-	1)Withdrawn (07-Oct-15) 2)CARE BB+ (FD) (22-Apr-15)	-
2.	Fund-based - LT-Term Loan	LT	13.66	CARE BB+; Stable	-	1)CARE BB+ (12-Aug-16) 2)CARE BB+ (02-Aug-16)	1)CARE BB+ (07-Oct-15)	-
3.	Fund-based - ST-Foreign Demand Bills Payable	ST	19.00	CARE A4+	-	1)CARE A4+ (12-Aug-16) 2)CARE A4+ (02-Aug-16)	1)CARE A4+ (07-Oct-15)	-
4.	Fund-based - LT-Cash Credit	LT	8.00	CARE BB+; Stable	-	1)CARE BB+ (12-Aug-16) 2)CARE BB+ (02-Aug-16)	1)CARE BB+ (07-Oct-15)	-
5.	Fund-based - ST-EPC/PSC	ST	15.00	CARE A4+	-	1)CARE A4+ (12-Aug-16)	-	-
6.	Non-fund-based - ST-BG/LC	ST	14.00	CARE A4+	-	1)CARE A4+ (12-Aug-16)	-	-

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