Polyspin Exports Limited

July 26, 2018

Rating

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long term Bank Facilities	19.41 (reduced from 21.66)	**CARE BB+; Stable (Double B Plus; Outlook: Stable)**	**Reaffirmed**
Short term Bank Facilities	48.00 (reduced from 48.00)	**CARE A4+ (A Four Plus)**	**Reaffirmed**
Total	**67.41 (Rupees Sixty Seven Crore and Forty One Lakhs only)**		

Details of 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.

The rating also takes note of a fire accident at the company's plant which had led to a disruption in production for about two days. While the loss of production is limited, the company had an inventory and other losses of about Rs.6 cr. while this is expected to impact the cash generation temporarily, the company has availed additional ad hoc limits to maintain liquidity. Going forward, receipt of insurance claims on this, profitable scaling up operations and improvement in capital structure would remain 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 characterized by high level of borrowing in the form of term loan and working capital. PEL's overall gearing as on March 31, 2018 had improved to 2.05x compared to 2.28x as on March 31, 2017. Total debt to GCA is at a high level of 6.45 years on March 31, 2018 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.181.40 crore during FY18 compared to Rs. 155.90 crore in FY17 and hence has shown a growth rate of 16.36% 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 8.72% in FY18 compared to 8.48% in FY17. On June 04, 2018 there was a fire outbreak in the warehouse of PEL that has led to a loss of around Rs. 6 crore including stocks worth Rs.5.3 crore and building worth Rs 0.7 crore. PEL claimed insurance and the process are underway. The production facilities were not affected and production resumed after two days of the event.

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

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 FY18. 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 15% of the total sales.

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. Now PEL has capacity to produce 9000 MT of FIBC bags, 300 MT PP woven fabric, 1500 PP yarn and textile division with 2400 rotors manufacturing cotton yarn as on March 31, 2018.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	155.90	181.40
PBILDT	13.21	15.81
PAT	3.28	4.99
Overall gearing (times)	2.28	2.05
Interest coverage (times)	2.73	3.02

A: Audited;

Status of non-cooperation with previous CRA:

CRISIL has classified the rating of PEL as "Issuer not cooperating" on January 31, 2018 on account of non-cooperation by PEL with CRISIL's effort to undertake a review of outstanding ratings.

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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About CARE Ratings:

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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	-	-	Apr 2023	11.41	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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fixed Deposit	LT	-	-	-	-	-	1)Withdrawn (07-Oct-15) 2)CARE BB+ (FD) (22-Apr-15)
2.	Fund-based - LT-Term Loan	LT	11.41	CARE BB+; Stable	-	1)CARE BB+; Stable (04-Jul-17)	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+ (04-Jul-17)	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+; Stable (04-Jul-17)	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+ (04-Jul-17)	1)CARE A4+ (12-Aug-16)	-
6.	Non-fund-based - ST-BG/LC	ST	14.00	CARE A4+	-	1)CARE A4+ (04-Jul-17)	1)CARE A4+ (12-Aug-16)	-

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