Rating Rationale

Siddhi Vinayak Polyplast

3 Nov 2020

Brickwork Ratings reaffirms the long term rating for the Bank Loan Facilities of ₹. 10.90 Crores of Siddhi Vinayak Polyplast

Particulars

Facility**	Amount (₹ Cr)		Tenure	Previous Rating (August,2019)	Rating Recommended
	Previous	Present			
Fund Based: Cash Credit Term Loan	5.50 7.16	5.50 5.40	Long Term	BWR BB- (Stable)	BWR BB- (Stable) Reaffirmation
Total	12.66	10.90	INR Ten Crores Ninety Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

RATING ACTION / OUTLOOK

Brickwork Ratings has reaffirmed the long term rating as BWR BB- (Stable) for the Bank Loan Facilities of ₹ 10.90 crores of Siddhi Vinayak Polyplast availed from Central Bank of India. BWR believes that Siddhi Vinayak Polyplast business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

Key Rating Drivers

BWR has essentially relied upon the audited financial statements of Siddhi Vinayak Polyplast of FY17,FY18,FY19, Provisionals of FY20, projections of FY21 and publicly available information and information / clarifications provided by the entity's management. The rating draws strength from extensive experience of promoters, Moderate Debt Protection Metrics, Moderate Profitability Margins, Moderate Gearing .The rating is constrained to Modest Scale of Operations, Exposure to Volatility in Raw Material Prices, Below average Liquidity Profile.
Going forward, the ability of the entity to achieve projected revenue & profitability margins and manage liquidity would be key rating sensitivities.

Description of Key Rating Drivers

- **Credit Strengths:**

  Management Experience: The partners have experience of more than a decade in the packaging industry. This has enabled them to establish a strong relationship with its customers and suppliers.

Moderate Debt Protection Metrics: Moderate debt protection metrics in FY20 with the ISCR and DSCR standing at standing 2.51x and 1.97x respectively although it declined a bit as against 2.61x and 2.85x respectively in FY19 as compared to 2.56x and 2.03x in FY18.

Moderate Profitability Margins: Moderate profitability with improvement in the NPM and OPM standing at 3.08% and 12.51% in FY20 as compared to 3.33% and 9.01% respectively in FY19 and 2.64% and 7.07% respectively in FY18.

Moderate Gearing: The gearing shows improvement in FY20 with the total debt/ TNW and TOL/TNW standing at 1.46x and 1.77x. as compared to 2.63x and 3.18x respectively in FY19 as against 1.00x and 1.47x in FY18. Whereas, the analysed gearing stands at 2.57x in FY19 owing to unsecured loans.

- **Credit Risks:**

Modest Scale of Operations: The total operating income marginally increased as it achieved TOI of Rs. 35.77crs in FY20 as compared to Rs 27.84 Cr in FY19 as compared to Rs 26.13 Cr in FY18 .The projections of FY21 stand at Rs. 29.60crs taking the conservative approach due to Covid however the company seems to over achieve its revenues for FY21 considering the revenues booked till September 2020.

Exposure to Volatility in Raw Material Prices: The main raw material used to manufacture woven sack bags is PP fabric and PP granules and the prices of raw material are highly volatile in nature and thereby the company's operating margins are highly susceptible to volatility in raw material prices.

Below average Liquidity Profile: Below average liquidity profile with the current ratio standing at 0.96x in FY20 as compared to 1.01x in FY19 and 1.23x in FY18.

High Customer and supplier concentration: High customer and supplier concentration with 45% of sales done to Top 5 customers and 90% of purchases from top 5 suppliers.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Sensitivities

Going forward the company's ability to improve the scale of operations, improve and maintain profitability, the debt servicing capability & liquidity will be the key rating sensitivities.

Positive: The rating will be upgraded if the company is able to achieve significant growth in revenue and improvement in profitability backed by a favourable industry scenario.
Negative: The rating may be downgraded if there is lower than expected revenues affecting the profitability margins, coverage ratios, liquidity and gearing ratios adversely

About the Company

Siddhi Vinayak Polyplast was formed as a Partnership concern in 2011.Siddhi Vinayak Polyplast is a Indore, Madhya Pradesh based firm. It is under the leadership of Mr. Avinash Gupta, Mrs. Sarita Gupta and Mrs. Surekha Gupta. Siddhi Vinayak Polyplast is engaged in manufacturing and supply of packing material like HDPE/PP Woven Fabrics, HDPE/PP Woven Sacks / Bags & Multicolor Printed Laminated PP Woven Sacks / Bags etc. which finds its application in packaging across various industries ranging from chemical to fertilizer industry.

Liquidity Position: Adequate

The cash credit utilisation for the last 6 months stand at 33.61% .The cash and cash equivalents stand at Rs. 0.19 crs in FY20 as compared to Rs. 0.07crs in FY19 as against Rs. 0.04crs in FY18 . The current ratio stands at 0.96x in FY20 as compared to 1.01x in FY19 as against 1.23x in FY18. The Net Cash Accruals to Long term debt stand stagnant at 0.60x in FY20 as compared to 0.27x in FY19 as against 0.1.30x in FY18. ISCR and DSCR stand at 2.51x and 2.51x respectively as against 2.61x and 2.85x respectively in FY19 as compared to 2.56x and 2.03x in FY18. The long term debt obligation as on FY20 is Rs. 4.92crs consisting of loan from Central bank and Unsecured loan from friends and family.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY 19	FY18
Result Type		**Audited**	**Audited**
Total Operating Income	(in ₹ Cr)	27.84	26.13
EBITDA	(in ₹ Cr)	2.51	1.54
PAT	(in ₹ Cr)	0.93	0.58
Tangible Net Worth	(in ₹ Cr)	4.11	2.78
Tangible Net Worth (Analyzed)	(in ₹ Cr)	4.17	2.86
Total debt/ Tangible Net Worth	Times	2.63	1.00
Current ratio	Times	1.01	1.23

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal and suspended]

Facilities	Current Rating			Rating History				
	Tenure	Amount (₹ Cr)	Rating	2019			2018	2017
Fund Based	Long Term	10.90	BWR BB- (Stable) (Reaffirmed)	Long Term	12.66	BWR BB- (Stable)	-	-
Total		10.90	INR Ten Crores Ninety Lakhs Only					

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

Hyperlink/Reference to applicable Criteria

- [General Criteria]
- [Approach to Financial Ratios]
- [Short Term Debt]

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Siddhi Vinayak Polyplast

Annexure-I

Name of the Bank	Facility	Tenure	Amount (₹ Crores)
Central Bank of India Branch-Mill road branch, Indore	Cash Credit Term Loan	Long Term	5.50 5.40
Total	INR Ten Crores Ninety Lakhs Only		10.90