Rating Rationale

Strawberry Polymers Pvt. Ltd.

31 Jan 2019

Brickwork Ratings revises (downgrades) the ratings for the Bank Loan Facilities of ₹6.23 Crores of Strawberry Polymers Pvt. Ltd. ('SPPL' or 'the Company')...

Particulars

Facility#	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (October 2017)	Present (January 2019)
Fund Based	7.00	6.23	Long Term	BWR B (Pronounced as BWR Single B) Outlook: Stable	BWR D (Pronounced as BWR Single D) (Downgraded)
Total	7.00	6.23	INR Six Crores Twenty Three Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
#Complete details of Bank facilities is provided in **Annexure-I**

Ratings: Downgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities

BWR has essentially relied upon the audited financial statements of the Firm from FY15 to FY18, projected financials of FY19 and FY20, publicly available information and information/clarifications provided by the Company's management.

The rating is downgraded as delay was observed in repayment of Term Loan. Rating is further constrained by low scale of operations, stressed working capital cycle and Company's profitability exposed to adverse movements in raw material prices. The ratings, however, can draw comfort from SPPL's moderate operating and net profit margins, moderate liquidity position and debt protection metrics and moderate Tangible Net Worth (TNW - Analysed) supported by low gearing ratio (Analysed).

Going forward, the Company's ability to ensure availability of cash flows for timely servicing of interest/debt obligations, increase its scale of operations and profitability, meeting the projections, efficient working capital management and further strengthening of overall financial risk profile shall be the key rating sensitivities.

Description of Key Rating Drivers

Credit Weaknesses

- Delay was observed in repayment of Term Loan.
- Low scale of operations marked by TOI of ₹14.36 Crs.
- Working capital cycle stood stressed at 143 days mainly driven by receivables of 98 days.
- The Company's profitability is vulnerable to the adverse movements in raw material prices which are directly impacted by fluctuations in global crude oil prices.

Credit Strengths

- The Company achieved profitability in FY18. OPM and NPM stood at 15.57% and 3.85% in FY18.
- Liquidity position of the Company remained moderate marked by current ratio of 3.85x in FY18, improving from 3.29x in FY17. Quick ratio stood at 3.02x in FY18.
- Coverage ratios ISCR and DSCR remained moderate at 3.58x and 2.14x as at 31-Mar-18.
- TNW (Analysed) stood at ₹14.36 Crs, although TNW remained negative at -₹1.10 Crs in FY18, as unsecured loan from promoter is considered as quasi-equity. Further, Gearing (Analysed) remained low at 0.34x in FY18, indicating low leverage on outside borrowings.
- The Company is registered as a Micro Irrigation System (MIS) supplier with state governments of Gujarat and Madhya Pradesh for carrying out works under Pradhan Mantri Krishi Sinchay Yojana (PMKSY) scheme.

Liquidity Position

SPPL present liquidity position is driven by current ratio of 3.85x and quick ratio stood at 3.02x as at 31-Mar-18. Net Cash Accruals for FY18 amounted to ₹1.73 Crs. As on date, the Company has negligible cash and cash equivalents. Average bank credit limit utilisation for 12 months ended December 2018 stood at ~90%.

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).
Also, capital brought-in by way of unsecured loans from promoters is considered as quasi-equity for calculation of TNW (Analysed) and gearing ratio (Analysed).

About the Company

SPPL was incorporated in November 2014. Its registered office and manufacturing facility is located in Idar taluka in Sabarkantha district in Gujarat. The unit is taken over and subsequently run by existing management from previous owners since June 2016. The Company manufactures PVC pipes, HDPE pipes, suction hose pipes, emitting (LLDPE) pipes, elbows, tees, joints and other irrigation system components. Presently, major revenue is derived from setting-up of drip irrigation system for the beneficiary farmers under tri-party agreement under Pradhan Mantri Krishi Sinchayee Yojana (PMKSY) scheme.

Company Financial Performance

SPPL reported TOI of ₹14.36 Crs and Profit After Tax (PAT) of ₹0.55 Crs in FY18 vis-a-vis ₹0.67 Crs and ₹(4.55) Crs (loss) respectively in FY17. As informed by client, revenue earned on provisional basis from April to November 2018 amounted to ₹8.78 Crs. Total Debt (Analysed) amounted to ₹4.90 Crs while TNW (Analysed) increased to ₹14.36 Crs as at 31-Mar-18, resulting in declined gearing ratio of 0.34x. Current ratio stood at 3.85x as at 31-Mar-18 and debt-coverage ratios ISCR and DSCR stood at 3.58x and 2.14x respectively as at 31-Mar-18.

Key financial indicators are disclosed in **Annexure-II**.

Rating History for the last three years

Sr. No.	Instrument / Facility	Current Rating (January 2019)			Rating History		
	Fund Based	Type	Amount (₹ Crs)	Rating	4 October 2017	Date, Month, Year	Date, Month, Year
1.	Term Loan	Long Term	3.23	**BWR D** (Pronounced as BWR Single D) **(Downgraded)**	**BWR B** Outlook: Stable	**Not Rated**	
2.	Cash Credit		3.00				
	Total		**6.23**	**INR Six Crores Twenty Three Lakhs Only**			

Status of non-cooperation with previous CRA: **N.A.**

Any other information: **Nil**

Hyperlink/Reference to applicable Criteria

- General Criteria

- **Approach to Financial Ratios**
- **Manufacturing Companies**

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Strawberry Polymers Pvt. Ltd.
Annexure I
Details of Bank Loan Facilities

Name of the Bank	Facilities	Tenure	Amount (₹ Crores)
Oriental Bank of Commerce	Term Loan	Long Term	3.23
	Cash Credit		3.00
Total			**6.23**

Strawberry Polymers Pvt. Ltd.
Annexure II
Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		**Audited**	**Audited**
Operating Revenue	₹ Crs	14.36	0.67
EBITDA	₹ Crs	2.24	-3.66
PAT	₹ Crs	0.55	-4.55

Tangible Net Worth (Analysed)	₹ Crs	14.36	6.05
Total Debt/Tangible Net Worth (Analysed)	Times	0.34	0.65
Current Ratio	Times	3.85	3.29

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Note on complexity levels of the rated instrument:
BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

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