

Press Release

Packaging Solutions

May 28, 2019



Rating Downgraded

Total Bank Facilities Rated*	Rs. 8.59 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable (Downgraded from ACUITE BB-)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded the long-term rating to '**ACUITE B+**' (**read as ACUITE B plus**) from **ACUITE BB-** (**read as ACUITE double B minus**) on the Rs. 8.59 crore bank facilities of Packaging Solutions (PS). The outlook is '**Stable**'.

The rating downgrade is on account of steep decline in profitability in FY 2018. The operating margins were declined to 7.47 percent in FY 2018 from 16.98 percent in FY 2017. The rating is also constrained by the stressed liquidity position of the firm.

Gujarat -based PS was established in 2012 by Dr. Purvish Patel, Dr. Kanubhai Patel, Mr. Hiteshkumar Patel and others. The firm is engaged in the manufacturing of flexible packaging films and laminates i.e. plastic, blow films for food, pharma and agri industry. It has manufacturing facility located at Kathal Road, Ahmedabad.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of PS to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced Management**

The partnership firm was established in 2012 by Dr. Purvish Patel Dr. Kanubhai Patel Mr. Hiteshkumar Patel and others who possess more than two decades of experience in the industry. Acuité believes that PS will continue to benefit from its experienced management. The company has been able to maintain long term relationship with its customers since its inception.

Weaknesses

- **Below Average financial risk profile**

The firm has low net worth base of Rs. 4.92 crore as on March 2019 (Provisional). It has long term debt of Rs. 1. 94 crore Current portion of long term debt is Rs. 1.06 crore unsecured loans from promoters and financial institution is Rs. 4.03 crore working capital facility of Rs. 4.80 crore as on March 31 2019 (Provisional). There has been history of infusion of capital by the promoters in the past 3 years to the tune of Rs. 1.90 Crore.

Liquidity Position

The liquidity position is moderate marked by moderate net cash accruals to its maturing debt obligations. The company's operations are working capital intensive as marked by high GCA days of 302 for FY 2018; mainly dominated by high inventory days of 247 for FY 2018. The current ratio of UEPL stands at 1.28 times as on March 31, 2018.

Outlook: Stable

Acuité believes that the firm outlook will remain 'Stable' over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company achieves higher than expected growth in revenue and profitability while managing its working capital cycle effectively. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in its liquidity profile or financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	20.66	18.03	13.38
EBITDA	Rs. Cr.	1.63	1.35	2.27
PAT	Rs. Cr.	-0.14	0.01	0.00
EBITDA Margin	(%)	7.89	7.47	16.98
PAT Margin	(%)	-0.70	0.06	0.03
ROCE	(%)	5.53	8.93	10.19
Total Debt/Tangible Net Worth	Times	2.40	2.28	3.82
PBDIT/Interest	Times	1.60	1.74	1.63
Total Debt/PBDIT	Times	7.24	4.47	5.40
Gross Current Assets (Days)	Days	235	245	297

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

None

Any other information

'Acuité is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups'.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
06-May-2019	Cash Credit	Long Term	4.00#*	ACUITE BB- Issuer not co-operating
	Term Loan I	Long Term	2.23	ACUITE BB- Issuer not co-operating
	Term Loan II	Long Term	2.16	ACUITE BB- Issuer not co-operating
	Term Loan III	Long Term	0.12	ACUITE BB- Issuer not co-operating
	Proposed Bank Facility	Long Term	0.08	ACUITE BB- Issuer not co-operating
28-Feb-2018	Cash Credit	Long Term	4.00#*	ACUITE BB- / Stable (Assigned)
	Term Loan I	Long Term	2.23	ACUITE BB- / Stable (Assigned)
	Term Loan II	Long Term	2.16	ACUITE BB- / Stable (Assigned)
	Term Loan III	Long Term	0.12	ACUITE BB- / Stable (Assigned)
	Proposed Long Term Loan	Long Term	0.08	ACUITE BB- / Stable (Assigned)

*Includes sublimit of PC/PCFC/FBP/FBD/FCBP/FCBD to the tune of Rs. 1.00 crore.

#includes sublimit of ILC/Buyer Credit to the tune of Rs. 1.50 crore

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.50#*	ACUITE B+ / Stable (Downgraded from ACUITE BB-)
Term loan I	Not Applicable	Not Applicable	Not Applicable	1.56	ACUITE B+ / Stable (Downgraded from ACUITE BB-)
Term loan II	Not Applicable	Not Applicable	Not Applicable	1.34	ACUITE B+ / Stable (Downgraded from ACUITE BB-)
Term loan III	Not Applicable	Not Applicable	Not Applicable	0.03	ACUITE B+ / Stable (Downgraded from ACUITE BB-)
Proposed	Not Applicable	Not Applicable	Not Applicable	0.16	ACUITE B+ / Stable (Downgraded from ACUITE BB-)

*Includes sublimit of PC/PCFC/FBP/FBD/FCBP/FCBD to the tune of Rs.1.00 crore.

#includes sublimit of ILC/Buyer Credit to the tune of Rs. 1.50 crore.

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About Acuité Ratings & Research:

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