



Press Release
RASIK PRODUCTS PRIVATE LIMITED
December 27, 2023
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	22.10	ACUITE BB Stable Assigned	-
Bank Loan Ratings	27.90	-	ACUITE A4+ Assigned
Total Outstanding Quantum (Rs. Cr)	50.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) and a short term rating of **ACUITE A4+** (read as **ACUITE A four plus**) on the Rs.50.00 Cr bank facilities of Rasik Products Private Limited (RPPL). The outlook is '**Stable**'.

Rationale for the rating

The rating assigned factors in the long operational track record of the company and the extensive experience of the promoters in the packaging industry. The ratings also considers the steady scale of operations of the company along with the diversified product portfolio. The rating also factors in the average financial risk profile marked by improved but high gearing of 1.94 times as on March 31, 2023 and moderate levels of debt protection metrics (ICR: 2.60 times and DSCR: 1.36 times as on March 31, 2023). The adequate liquidity position as reflected in the moderate utilisation of fund-based bank limits at ~82 per cent for the last seven months ended October'23 and sufficient cushion in the net cash accruals to meet its debt obligation, further supports the rating. The rating, however, remains constrained by working capital intensive nature of operations of the company marked by high GCA days of 249 days in FY2023. Acuite also notes the moderation in the profitability margins in FY2023 due to the scheduled repayment of the term loan taken for the purpose of modernisation of its machineries. Further, absence of any hedging mechanism makes the company vulnerable to any adverse fluctuations in the foreign exchange rates.

About the Company

Rasik Products Private Limited (RPPL), a Mathura-based company was incorporated by Mr. G. Khandelwal in the year 1998. It is engaged in the manufacturing and marketing of multilayer transferable coatings, films, foils and laminates. It also offers security base materials like holograms and variety of decorative packing papers, graphic grade films and foils, used in the packaging of various consumer goods and a broad range of security applications for use in tamperproof and tamper-evident packaging. The company mainly caters to markets in USA and UK along with domestic market.

Unsupported Rating

Not Applicable.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of RPPL to arrive at

the rating.

Key Rating Drivers

Strengths

Long track record of operations and experienced management

The company has a long operational track record of over two and a half decades. The established track record of the company has enabled it to build long standing relationship with its customers and suppliers over the years. Further, the promoter of the company, Mr. Girdhari Lal Khandelwal has an extensive experience of over three decades in the packaging materials industry. The other Director, Mr. Rasik Khandelwal, an IIM Bangalore graduate has around a decade of experience in the packaging materials industry. They are ably supported by other director and a team of experienced and qualified professionals. The extensive experience of the promoters has enabled them to build a strong client base all over the globe.

Acuite believes that long track record of operations and extensive experience of the management might support the business risk profile to an extent.

Improving scale of operations albeit moderation in profitability margins

The operating income of the company stood at Rs.122.15 Cr in FY2023 as against Rs.102.04 Cr in FY2022 on account of increase in both sales volume and average realisations of majority of its products. Further, the export to USA has also increased to ~52 per cent in FY23 as compared to 28.72 per cent in FY22. Moreover, the company has achieved a revenue of Rs.74.30 Cr in H1FY24.

The operating margin of the company moderated to 11.02 per cent in FY2023 as against 11.93 per cent in FY2022 due to increased overhead expenses (like clearing and forwarding expenses, other administrative expenses). The EBITDA margin has declined from FY21 levels due to increase in operating expenses post covid pandemic. The PAT margin deteriorated to 2.00 per cent in FY2023 as against 3.15 per cent in FY2022 due to increase in the interest expenses and increased depreciation on the new asset creation during the year.

Acuite believes scalability of the operations along with improvement in the profitability margins will remain a key monitorable.

Average financial risk profile

The company's financial risk profile is average marked by moderate net worth base, high gearing and moderate debt protection metrics. The tangible net worth of the company increased to Rs.29.61 Cr as on March 31, 2023 from Rs.24.01 Cr as on March 31, 2022 due to accretion of profits to reserves. Though, the gearing of the company improved, it still stood high at 1.94 times as on March 31, 2023 as against 2.15 times as on March 31, 2022. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 3.80 times as on March 31, 2023 as against 3.91 times as on March 31, 2022. Moreover, the moderate debt protection metrics is marked by Interest coverage Ratio of 2.60 times as on March 31, 2023 as against 2.97 times as on March 31, 2022; and Debt Service Coverage Ratio at 1.36 times as on March 31, 2023 as against 2.71 times as on March 31, 2022. The debt protection metrics moderated during FY2023 on account of scheduled debt repayment obligations of the term loan availed during FY2022. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.14 times as on March 31.

Acuite believes that going forward the financial risk profile of the company is likely to be sustained backed by steady accruals and no major debt funded capex plans.

Weaknesses

Working capital intensive nature of operations

The company has a working capital-intensive nature of operations marked by high GCA days of 249 days in FY2023 at similar levels with FY2022 on account of elongated inventory holding period, which stood at 139 days in FY2023 as against 146 days in FY2022. The company maintains high level of inventory of both finished goods and raw materials to timely meet the export orders and to mitigate any fluctuations in the raw material prices. Further, the debtor collection period increased to 98 days in FY2023 as against 68 days in FY2022.

Nonetheless, the company has substantial dependence on its suppliers and creditors to support the working capital requirements; creditors stood high at 154 days in FY2023.

Sustained improvement in creditors will remain a key rating monitorable.

Exposure to foreign exchange fluctuation risk

RPPL derives more than 70% of its income from exports, primarily by exporting to Europe and USA. However, RPPL has no forex hedging mechanism. Hence, its margins remain vulnerable to any adverse fluctuations in foreign exchange rates in the absence of a hedging mechanism.

Rating Sensitivities

- Sustenance of the scale of operations along with significant improvement in the profitability margins.
- Further elongation of working capital cycle

All Covenants

None.

Liquidity Position Adequate

The company has an adequate liquidity position marked by Net Cash Accruals of Rs.8.12 Cr as on March 31, 2023 as against current maturities of long-term debt of Rs.4.56 Cr over the same period. Further, the company is expected to generate sufficient net cash accruals to repay its debt obligation. The fund-based limits remained moderately utilised at 82.30 per cent for the last seven months ended October'23. The current ratio stood moderate at 1.01 times as on March 31, 2023. The cash and bank balance stood at Rs.0.30 Cr as on March 31, 2023. However, the working capital intensive nature of operations of the company is marked by GCA days of 249 days in FY2023.

Acuité believes that going forward the company is likely to maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuité believes that the outlook on RPPL will remain 'Stable' over the medium term on account of its long operational track record, experienced management and moderate scale of operations. The outlook may be revised to 'Positive' in case the company registers any significant improvement in its scale of operations or profitability margins or working capital cycle or capital structure. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the liquidity position or further deterioration in the profitability margins or deterioration in its working capital cycle or deterioration in the capital structure.

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	122.15	102.04
PAT	Rs. Cr.	2.44	3.22
PAT Margin	(%)	2.00	3.15
Total Debt/Tangible Net Worth	Times	1.94	2.15
PBDIT/Interest	Times	2.60	2.97

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

IVR vide its press release dated 5th October 2023, had downgraded the company to IVR BB-/Negative/A4; Issuer Not Cooperating.

Any other information

None.

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History :

Not Applicable.

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	1.90	ACUITE A4+ Assigned
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.00	ACUITE BB Stable Assigned
Canara Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	3.94	ACUITE BB Stable Assigned
Canara Bank	Not Applicable	Packing Credit	Not Applicable	Not Applicable	Not Applicable	Simple	26.00	ACUITE A4+ Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	6.20	ACUITE BB Stable Assigned
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	4.96	ACUITE BB Stable Assigned

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Sakshi Seksaria Analyst-Rating Operations Tel: 022-49294065 sakshi.seksaria@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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