

Press Release
Doctor Pack India Private Limited
 November 26, 2018
Rating Downgraded and Assigned



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|-------------------------------------|--------------|
| Total Bank Facilities Rated* | Rs.26.00 Cr. |
| Long Term Rating | ACUITE D |
| Short Term Rating | ACUITE D |

* Refer Annexure for details.

Rating Rationale

Acuité has downgraded the long term rating to '**ACUITE D** (read as ACUITE D)' from '**ACUITE C** (read as ACUITE C)' to the Rs.18.75 crore bank facilities.

Acuité has assigned the long term rating of '**ACUITE D** (read as ACUITE D)' to the Rs.5.25 crore bank facilities.

Further, Acuité has downgraded the short term rating to '**ACUITE D** (read as ACUITE D)' from '**ACUITE A4** (read as ACUITE A four)' to the Rs.1.70 crore bank facilities.

Acuité has assigned short term rating of **ACUITE D** (read as ACUITE D) to the Rs.0.30 crore on the bank facilities of Doctor Pack India Private Limited (DPIL).

The rating downgrade reflects delays in payment of interest and principal obligations on its term loan facilities for more than thirty days for the past three months through October, 2018.

DPIL, incorporated in 2010, is a Bangalore-based company promoted by Mr. Umapathi Raju, Mr. Jatinkumar Pandiya and Mr. G. Dinakaran. The company is engaged in the manufacture of packaging products for the pharmaceutical industry. The company has facility located in Bangalore (Karnataka) with an installed capacity to manufacture 12 million pieces per month.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the DIPL to arrive at this rating.

Key Rating Drivers

Strengths

• **Experienced management**

The promoters possess around two decades of experience in packaging segment for the pharmaceutical industry. The operations of the company are supported by a team of well qualified and experienced second line personnel. The promoters' experience in packaging business has helped the company build healthy relationship with its customers, to ensure steady growth in its revenues at a compound annual growth rate (CAGR) of 27 percent over three years through FY2018 at Rs.38.20 crore. Acuité believes that the promoters' extensive experience in the packaging industry would aid the business risk profile of the company over the medium term.

Weaknesses

• **Delays in debt servicing**

The rating reflects delays in payment of interest and principal obligations on its term loan facilities for more than thirty days for the past three months through October, 2018. The delays are owing to stretch in the liquidity caused by continued capex for expansion.

- **Below-average financial risk profile**

The financial risk profile is marked by moderate capital structure and debt protection metrics. The net worth is modest at Rs.10.37 crore in FY2018 as against Rs.7.76 crore in FY2017, an increase by Rs.2.61 crore of accretion to reserves. The gearing (debt-to-equity) has deteriorated to 2.48 times as on March 31, 2018 from 2.31 times as on March 31, 2017 owing to debt funded cap-ex undertaken by the company. Moderate net cash accruals and debt has led to moderate NCA/TD and interest coverage ratio (ICR) of 0.17 times and 2.6 times in FY2018 vis-à-vis 0.14 times and 2.62 times in FY2017, respectively.

With the expected increase in revenues, though cash accruals are expected to improve, the incremental working capital requirements are expected to exert pressure on the liquidity besides annual repayment obligations of about Rs.2.50 crore over the medium term. DPIL's total outside liabilities to total net worth (TOL/TNW) is high at 3.89 times in FY2018 as against 3.52 times in FY2017. Acuité believes that with no significant capex plans, the financial risk profile is expected to marginally improve over the medium term.

- **Working capital intensive operations**

The company has intense working capital operations as evident from its Gross Current Assets (GCA) of 151 days as on March 31, 2018 as against 176 days as on March 31, 2017. The company maintains one month of inventory, and offers credit period of about three months to its clientele. Intense working capital management and increasing scale of revenues exerted pressure on the bank lines. The average bank limit utilisation over the past six months through October 2018 was about 90 percent. Acuité believes that proper management of working capital while coping up with the growth in revenues are key rating sensitivity factors over the near term.

About the Rated Entity - Key Financials

| | Unit | FY18 (Actual) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 38.21 | 28.57 | 23.56 |
| EBITDA | Rs. Cr. | 8.82 | 4.94 | 3.58 |
| PAT | Rs. Cr. | 2.61 | 1.19 | 0.99 |
| EBITDA Margin | (%) | 23.10 | 17.29 | 15.19 |
| PAT Margin | (%) | 6.83 | 4.16 | 4.19 |
| ROCE | (%) | 22.60 | 18.36 | 19.05 |
| Total Debt/Tangible Net Worth | Times | 2.48 | 2.31 | 1.11 |
| PBDIT/Interest | Times | 2.60 | 2.62 | 3.38 |
| Total Debt/PBDIT | Times | 2.90 | 3.60 | 2.02 |
| Gross Current Assets (Days) | Days | 151 | 176 | 170 |

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>
- Entities in Manufacturing Sector -<https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments -<https://www.acuite.in/view-rating-criteria-8.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. Crore) | Ratings/Outlook |
|-------------|---------------------------------|------------|--------------------|-------------------------------|
| 12-Oct-2017 | Cash Credit | Long Term | 4.75 | ACUITE C (Downgraded) |
| | Cash Credit | Long Term | 0.85 | ACUITE C (Downgraded) |
| | Term Loan | Long Term | 13.15 | ACUITE C (Downgraded) |
| | Letter of Credit | Short Term | 1.20 | ACUITE A4 (Downgraded) |
| | Bank Guarantee | Short Term | 0.50 | ACUITE A4 (Downgraded) |
| 14-Apr-2016 | Cash Credit | Long Term | 4.75 | ACUITE BB-/ Stable (Assigned) |
| | Proposed Cash Credit | Long Term | 0.85 | ACUITE BB-/ Stable (Assigned) |
| | Proposed Long Term Loan | Long Term | 13.15 | ACUITE BB-/ Stable (Assigned) |
| | Bank Guarantee | Short Term | 0.50 | ACUITE A4+ (Assigned) |
| | Letter of Credit | Short Term | 1.20 | ACUITE A4+ (Assigned) |

*Annexure – Details of instruments rated

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Crore) | Ratings/Outlook |
|------------------------|------------------|----------------|----------------|-------------------------------|-----------------------|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 8.00 | ACUITE D (Downgraded) |
| Term Loan | Not Applicable | Not Applicable | Not Applicable | 12.74 | ACUITE D (Downgraded) |
| Term Loan | Not Applicable | Not Applicable | Not Applicable | 1.59 | ACUITE D (Assigned) |
| Term Loan | Not Applicable | Not Applicable | Not Applicable | 1.67 | ACUITE D (Assigned) |
| Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 0.50 | ACUITE D (Downgraded) |
| Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 1.50 | ACUITE D (Downgraded) |

Contacts

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About Acuité Ratings & Research:

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