



## Press Release

### Doctor Pack India Private Limited

November 26, 2018

### Rating Downgraded and Assigned

<b>Total Bank Facilities Rated*</b>	Rs.26.00 Cr.
<b>Long Term Rating</b>	ACUITE D
<b>Short Term Rating</b>	ACUITE D

\* Refer Annexure for details.

### Rating Rationale

Acuite 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.

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

Further, Acuite 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.

Acuite 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

Acuite 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. Acuite 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. Acuite 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. Acuite 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:

Acuite 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

Analytical	Rating Desk
Sri Hari Adari Head - Corporate and Infrastructure Sector Ratings Tel: 040-40042327 <a href="mailto:srihari.adari@acuite.in">srihari.adari@acuite.in</a>	Varsha Bist Manager - Rating Desk Tel: 022-67141160 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>
Sethu Madhav Analyst - Rating Operations Tel: 022-67141128 <a href="mailto:sethu.madhav@acuite.in">sethu.madhav@acuite.in</a>	

### About Acuite Ratings & Research:

Acuite Ratings & Research Limited (erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

**Disclaimer:** An Acuite rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuite ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuite, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuite is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuite ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuite.