

Press Release

V K Pack Well Private Limited

February 07, 2019



Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs. 35.00 Cr. (Enhanced from Rs.23.00 crore)
Long Term Rating	ACUITE BB+ / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BB+**' (**read as ACUITE double B plus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs.23.00 crore bank facilities and assigned the long-term rating of '**ACUITE BB+**' (**read as ACUITE double B plus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs.12.00 crore bank facilities of V K Pack Well Private Limited (VKPL). The outlook is '**Stable**'.

Kanpur-based VKPL, incorporated in 2007 by Mr. Vikesh Kumar Gupta and Mrs. Sandhya Rani Gupta, is engaged in the manufacturing of HDPE Laminated Woven Lay Flat Tube for Irrigation Purpose, HDPE Flexible Main Line for Drip, HDPE Woven Beds for Vermiculture, Geo-membrane for Water Proof Lining and HDPE Tarpaulins.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced promoters**

The promoters, Mr. Vikesh Gupta and Mrs. Sandhya Gupta possess experience of over three decades in the polymer industry. The experience of the management has helped the company in generating relationship with various customers and suppliers.

Acuité believes that the company will continue to benefit from its experienced management over near to medium term.

- **Improved working capital management**

VKPL has seen improvement in the working capital operations marked by Gross Current Assets (GCA) of 80 days in FY2018 as compared to 119 days in FY2017. The inventory holding period improved slightly to 53 days in FY2018 as against 58 days in FY2017. The receivables period reduced to 23 days in FY2018 from 43 days in FY2017. VKPL enjoys credit period of up to two months from its suppliers. However, the average bank limit utilisation stood high at ~95 percent for the last three months ended December 2018.

- **Wide range product profile**

VKPL offers healthy range of BIS marked product such as tarpaulin, laminated woven lay flat tube for irrigation purpose, HDPE flexible main line for drip, HDPE woven beds for Vermiculture, and Geomembrane for water proof lining. Acuité also notes that VKPL has patented the laminated polyethylene Woven Lay Fabric Pipe.

Weaknesses

- **Average financial risk profile**

The financial risk profile of VKPL is average marked by low net worth, moderate debt protection measures and high gearing. The net worth of VKPL stood at Rs.7.09 crore as on 31 March, 2018 as against Rs.6.76 crore as on 31 March, 2017. The gearing of VKPL has improved but still remained high

at 3.84 times as on March 31, 2018 as against 4.71 times as on March 31, 2017. Total outside Liabilities/Tangible Net worth (TOL/TNW) stood high at the same level which is 5.66 times on 31 March 2018 as well as on 31 March, 2017. Interest Coverage Ratio (ICR) has improved to 2.79 times in FY2018 as against 2.43 times in FY2017. Debt Service Coverage Ratio (DSCR) has also improved but remained average at 1.87 times in FY2018 as against 1.07 times in FY2017.

Acuité believes that the ability of VKPL to improve its financial risk profile will be a factor of key rating sensitivity.

- **Exposure to cyclical in the petrochemical industry**

The polymer prices are linked to prices of crude. Since crude prices exhibit high volatility depending on the actions of the major crude players like OPEC, the prices of polymers also move in tandem. The Brent crude prices have moved from USD 27 in January 2016 to USD 86 in October 2018.

The domestic demand for polymers is met through domestic suppliers like Reliance Industries Limited (RIL), GAIL, Haldia & also through imports. India is a net importer of petrochemical products hence the domestic prices are generally aligned to the landed cost of imports. Any further build-up in the global capacities can have an influence on the domestic prices thereby adding to the competitive landscape. The demand for polymers is linked to general industrial activity and any slowdown in domestic output will have moderating impact on the demand for polymers.

Acuité expects that the revenues and margins of BCPL will remain exposed to fluctuations petrochemical prices, competitive landscape and demand for polymers depending on level of volatility in the feed stock prices and imports.

- **Competitive and fragmented industry**

The plastic polymer industry is highly competitive with several organised as well as unorganised players and low entry barriers, especially in the agricultural segment which makes players like VKPL exposed to intense competition.

Liquidity position

VKPL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. VKPL generated cash accruals of Rs.5.39 crore to Rs. 3.11 crore during the last three years through 2017-18, while its maturing debt obligations were in the range of Rs.2.90 crore to Rs.1.40 crore over the same period. The cash accruals of VKPL are estimated to remain around Rs.7.65 crore to Rs.6.21 crore during 2019-21 while its repayment obligation are estimated to be around Rs. 2.24 crore every year. VKPL maintains unencumbered cash and bank balances of Rs.0.16 crore as on March 31, 2018. However, the current ratio of VKPL stood low at 0.89 times as on March 31, 2018.

Outlook: Stable

Acuité believes that VKPL will maintain a 'Stable' outlook over the medium term on the back of its experienced management. The outlook may be revised to 'Positive' if VKPL shows substantial improvement in its financial risk profile and maintains growth in turnover. The outlook may be revised to 'Negative' if VKPL experiences lower than expected revenue growth or further deterioration in financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	84.95	57.98	71.49
EBITDA	Rs. Cr.	8.90	5.64	5.59
PAT	Rs. Cr.	0.64	0.48	0.71
EBITDA Margin	(%)	10.47	9.73	7.82
PAT Margin	(%)	0.75	0.83	0.99
ROCE	(%)	11.48	10.07	27.74
Total Debt/Tangible Net Worth	Times	3.84	4.71	2.47
PBDIT/Interest	Times	2.79	2.43	2.95
Total Debt/PBDIT	Times	3.05	5.63	2.71
Gross Current Assets (Days)	Days	80	119	40

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

Not Applicable

Any other information

None

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
04-Jun-2018	Term Loan	Long Term	0.55	ACUITE BB+ (Indicative)
	Term Loan	Long Term	0.11	ACUITE BB+ (Indicative)
	Term Loan	Long Term	10.00	ACUITE BB+ (Indicative)
	Cash Credit	Long Term	10.00	ACUITE BB+ (Indicative)
	Letter of Credit	Short Term	2.00	ACUITE A4+ (Indicative)
	Proposed Short Term Loan	Short Term	0.34	ACUITE A4+ (Indicative)
24-Mar-2017	Term Loan	Long Term	0.55	ACUITE BB+/Stable (Assigned)
	Term Loan	Long Term	0.11	ACUITE BB+/Stable (Assigned)
	Term Loan	Long Term	10.00	ACUITE BB+/Stable (Assigned)
	Cash Credit	Long Term	10.00	ACUITE BB+/Stable (Assigned)
	Letter of Credit	Short Term	2.00	ACUITE A4+ (Assigned)
	Proposed Short Term Loan	Short Term	0.34	ACUITE A4+ (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BB+ / Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BB+ / Stable (Reaffirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BB+ / Stable (Assigned)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4+ (Reaffirmed)
Proposed Letter of credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4+ (Assigned)
Proposed	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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