

Press Release

04 January, 2018

FRYSTAR PET PRIVATE LIMITED (FPPL)

Rating Assigned



Total Bank Facilities Rated *	Rs.25.00 cr
Long Term Rating	SMERA BB/ Outlook: Stable

Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA double B**) on the Rs. 25.00 crore bank facilities of FRYSTAR PET PRIVATE LIMITED (FPPL). The outlook is '**Stable**'.

FPPL is a Delhi-based company incorporated in 2010. Promoted by Mr. Nishit Singhal, Mr. Rakesh Kumar and Mr. Mayur Singhal, the company manufactures pet preform used in the production of plastic bottles. The manufacturing facility is located at Rajasthan with installed capacity of 7,200 Metric Ton (MT) per annum. FPPL caters to companies in the beverages industry.

Key Rating Drivers

Strengths

Experienced management

The Delhi-based FPPL incorporated in 2010 is engaged in the manufacture of pet preform. The company is promoted by Mr. Nishit Singhal, Mr. Rakesh Kumar and Mr. Mayur Singhal who possess decades of experience in the aforementioned business. This has helped build healthy relations with customers and suppliers.

Growth in revenue Y-o-Y

The revenue stood at Rs.44.20 crore in FY2017 against operating income of Rs.27.35 crore for FY2016 and Rs.23.03 crore for FY2015. Further, the company registered operating income of Rs.35.00 crore from April to November 2017 owing to increase in manufacturing capacity to 7,200 MT from 4,200 MT.

Weaknesses

Average financial risk profile

The networth stood at Rs.10.89 crore as on 31 March, 2017 against Rs.5.71 crore in the previous year. The gearing (Debt-to-equity) stood at 2.08 times as on 31 March, 2017 as against 2.25 times as on 31 March, 2016. The total debt of Rs.22.63 crore mainly comprises long term loan of Rs.13.15 crore and working capital borrowings of Rs.9.48 crore as on 31 March 2017. The Interest Coverage Ratio (ICR) stood at 3.68 times and DSCR at 1.73 times for FY2017.

Working capital intensive operations

FPPL has high Gross Current Asset (GCA) days of 163 for FY2017 against 139 for FY2016 on account of inventory days of 82 and debtor days of 81. Further, the average utilisation of working capital borrowing stood at ~95.00 percent for the past six months ended November 2017.

Susceptibility of margins to volatility in raw material prices

The profitability margins are susceptible to volatility in raw material prices (resin, is a crude oil derivative). Since the raw material constitutes maximum cost, any upward movement in the same would increase the cost of sales and thus affect margins. The operating margin stood at 13.12 per cent in FY2017 compared to 11.09 per cent in FY2016.

Highly competitive and fragmented industry

The Indian packaging industry is highly fragmented on account of the low capital intensity, low entry barriers and easy availability of raw materials.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of FPPL to arrive at the rating.

Outlook: Stable

SMERA believes that FPPL will maintain a stable outlook in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining better profit margins. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues and profitability, or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	44.20	27.35	23.03
EBITDA	Rs. Cr.	5.80	3.03	1.70
PAT	Rs. Cr.	1.00	0.58	0.22
EBITDA Margin	(%)	13.12	11.09	7.38
PAT Margin	(%)	2.27	2.11	0.94
ROCE	(%)	12.02	12.10	17.11
Total Debt/Tangible Net Worth	Times	2.08	2.25	1.99
PBDIT/Interest	Times	3.68	2.96	2.27
Total Debt/PBDIT	Times	3.85	4.17	4.85
Gross Current Assets (Days)	Days	176	152	144

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	11.50	SMERA BB / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.50	SMERA BB / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA BB / Stable

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head –Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in Pranali Salgaonkar, Rating Analyst Tel: 022-67141127 Email: pranali.salgaonkar@smera.in	Varsha Bist, Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in

ABOUT SMERA

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