

## Press Release

**Mahika Packaging India Limited**

**December 23, 2022**



### Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	14.82	ACUITE BBB-   Stable   Assigned	-
Bank Loan Ratings	28.00	ACUITE BBB-   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	42.82	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs.28.00 Cr. bank facilities and assigned the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on Rs. 14.82 Cr bank facilities of Mahika Packaging (India) Limited (MPIL). The outlook is '**Stable**'.

#### Reason for the Rating

The rating reaffirmation is on account of stable operating and financial performance of the company. The operating income improved to Rs. 71.40 Cr. in FY22 as against Rs. 54.30 Cr. in FY21 albeit moderation in operating margins to 16.37 percent from 24.84 percent for the same period. The decline in margins is primarily on account of sharp increase in raw material prices and freight costs. The overall gearing improved to 0.88 times as on March 31, 2022 as against 0.90 times as on March 31, 2021. The rating also draws comfort from established track record of operations, extensive experience of promoters in the packaging business and established long term relationships with its reputed customers and suppliers. However, these strengths are partly offset by working capital intensive nature of operations of the company.

#### About the Company

Incorporated in 2005, Mumbai based Mahika Packaging India Ltd is engaged in manufacturing of custom plastic packaging solutions across different market sectors including personal care, healthcare, chemical and household product markets. MPIL's current product portfolio includes dispensing caps and closures, plastic bottles, co-extruded tubes, laminated tubes, self-adhesive labels and shrink sleeves that are designed to cater to specific needs and demands of different industries. MPIL has its manufacturing facilities located in Daman and Vapi with an installed capacity of 3.5 crores tubes per month and 30 lakhs bottles per month. The company has its presence in domestic as well as international markets such as Australia, the U.S.A, the Middle East, South Africa, and Turkey to name a few. The Company is currently promoted by Sushil Gupta and his two sons Amit Gupta and Sumit Gupta.

#### Analytical Approach

Acuité has considered the standalone view of the business and financial risk profile of MPIL to arrive at the rating

## **Key Rating Drivers**

### **Strengths**

#### **> Experienced Management with established track record of operations**

The promoter, Mr. Sushil Gupta has an extensive experience in the packaging industry for more than two decades. The other members of the family including his two sons Mr. Amit Gupta and Mr. Sunil Gupta are also engaged in the business. The extensive experience of the promoters and established presence in the industry has helped the company to generate healthy relations with various customers and suppliers in the domestic market as well as international market. MPIL caters to a reputed client base including Dabur India, Castrol India, Unilever, Patanjali Ayurved, Torrent Pharmaceuticals, Ipca Laboratories, Abbott Laboratories in India to name a few. In the international market, the company has its presence in Australia, the USA, the Middle East, South Africa, and Turkey to name a few. Its portfolio of international clients consists of Walmart, Walgreens, CVS Pharmacy to name a few.

The operating income improved to Rs. 71.40 Cr in FY22 as against Rs. 54.30 Cr in FY21 primarily due to increased sales of plastic tubes. The Company caters to a bouquet of products including dispensing caps and closures, plastic bottles, co-extruded tubes, laminated tubes, self-adhesive labels and shrink sleeves that are designed to cater to specific needs and demands of different industries. In H1FY23, the company has generated a operating income of approx. Rs. 58 Cr and is expecting to close the year in the range of Rs. 130-150 Cr due to increased production capacity in FY23.

Acuité believes that the MPIL's promoter's experience and the established track record of operations of the company will support its business risk profile over near to medium term.

#### **> Moderate financial risk profile**

MPIL has a moderate financial risk profile marked by moderate networth, moderate gearing and comfortable debt protection metrics. The networth improved to Rs. 37.38 Cr. as on March 31, 2022 as against Rs. 34.60 Cr. as on March 31, 2021. The networth increased due to accretion of profits to reserves and infusion of unsecured loans of approx. 10.87 Cr which has been subordinated to the bank borrowings, considered as quasi equity. The total debt of Rs. 32.90 Cr. as on March 31, 2022 includes long term borrowings of Rs. 6.40 Cr, working capital borrowings of Rs. 13.54 Cr. and unsecured loans from directors and related parties of Rs. 12.95 Cr. The company's overall gearing improved to 0.88 times as on March 31, 2022 as against 0.90 times as on March 31, 2021. The TOL/TNW saw a slight moderation to 1.25 times as on March 31, 2022 as against 1.16 times as on March 31, 2021. The Interest Coverage Ratio stood at 3.19 times in FY22 as against 3.38 times in FY21. The NCA/TD saw a slight moderation to 0.26 times in FY22 as against 0.30 times in FY21.

Acuité expects MPIL's financial risk profile to remain moderate over the near term.

### **Weaknesses**

#### **> Intensive working capital requirements**

The operations of the company are working capital intensive marked by Gross Current Asset (GCA) days of 170 days as on March 31, 2022 as against 178 days as on March 31, 2021. The GCA days are driven by debtor days and inventory days. The debtor days improved to 53 days as on March 31, 2022 as against 67 days as on March 31, 2021. The inventory days deteriorated to 129 days as on March 31, 2022 as against 137 days as on March 31, 2021. The creditor days remained at 101 days as on March 31, 2022 and as on March 31, 2021. The average utilisation of fund based limits availed by the company remained moderately high at around 80-85 percent for last six months period ended November, 2022.

#### **> High competition and susceptibility of margins to fluctuations in raw material prices**

The plastic and packaging industry is marked by a large number of organized and unorganized players. The industry is marked by low entry barriers leading to an increase in competition. The company's products find application in the packaging industry. The operating and profit margins are susceptible to fluctuations in the raw material prices of high-density polyethylene (HDPE) and linear polymer (polyethylene), which are linked to fluctuations in crude prices.

### Rating Sensitivities

- > Significant improvement in scale of operations, while maintaining its profitability margins.
- > Elongation of working capital cycle
- > Deterioration in liquidity position

### Material covenants

None

### Liquidity Position: Adequate

MPIL has adequate liquidity position marked by adequate net cash accruals against maturing debt obligations. The company generated cash accruals of Rs. 8-9 crore in FY21-22 against maturing debt obligations of Rs. 3-4 crore over the same period. The cash accruals of the company are estimated to remain around Rs. 12-18 crore during 2023-24 period against maturing debt obligations around Rs. 4-5 Cr. The company's GCA days stood at 170 days as on March 31, 2022. The current ratio of the company stood at 1.05 times as on March 31, 2022. The average fund based bank limit utilisation for the six months ended November, 2022 ranged between 80-85 percent. The unencumbered cash and bank balance stood at Rs. 0.08 Cr. as on March 31, 2022. Acuite believes that the liquidity position would be adequate over the medium term on account of moderate cash accruals as against repayment obligations.

### Outlook: Stable

Acuite believes that MPIL will maintain a 'Stable' outlook in the near to medium term on account of its stable business risk profile supported by its established position in the market and diversified revenue profile. The outlook may be revised to 'Positive' if the entity registers higher-than-expected growth in its scale of operations, while also improving its operating profitability and coverage indicators. Conversely, the outlook may be revised to 'Negative' in case the financial risk profile deteriorates due to a higher-than-expected increase in debt-funded Capex or working capital requirements resulting in deterioration in the overall capital structure.

### Other Factors affecting Rating

None

### Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	71.40	54.30
PAT	Rs. Cr.	2.60	2.23
PAT Margin	(%)	3.64	4.11
Total Debt/Tangible Net Worth	Times	0.88	0.90
PBDIT/Interest	Times	3.19	3.38

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

None

### Any other information

None

### Applicable Criteria

- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.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](http://www.acuite.in)

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
27 Dec 2021	Proposed Bank Facility	Long Term	6.29	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	8.71	ACUITE BBB-   Stable (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE BBB- (Withdrawn)
	Cash Credit	Long Term	13.00	ACUITE BBB-   Stable (Reaffirmed)
29 Sep 2020	Cash Credit	Long Term	2.00	ACUITE BBB-   Stable (Reaffirmed)
	Cash Credit	Long Term	13.00	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	13.00	ACUITE BBB-   Stable (Reaffirmed)
05 Jul 2019	Cash Credit	Long Term	13.00	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	13.00	ACUITE BBB-   Stable (Reaffirmed)
	Packing Credit	Short Term	8.00	ACUITE A3 (Withdrawn)
	Cash Credit	Long Term	2.00	ACUITE BBB-   Stable (Reaffirmed)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	13.00	ACUITE BBB-   Stable   Reaffirmed
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB-   Stable   Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.03	ACUITE BBB-   Stable   Assigned
Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	6.29	ACUITE BBB-   Stable   Reaffirmed
Indian Bank	Not Applicable	Term Loan	Dec 11 2017 12:00AM	10.30	Mar 31 2024 12:00AM	Simple	6.33	ACUITE BBB-   Stable   Reaffirmed
Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.38	ACUITE BBB-   Stable   Reaffirmed
Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	5.78	ACUITE BBB-   Stable   Assigned
Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	4.01	ACUITE BBB-   Stable   Assigned

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### 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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