

Press Release
MAHIKA PACKAGING INDIA LIMITED
June 28, 2024



Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	42.82	ACUITE C Downgraded	-
Total Outstanding Quantum (Rs. Cr)	42.82	-	-

Rating Rationale

Acuite has downgraded its long-term rating to 'ACUITE C' (read as ACUITE C) from 'ACUITE BB+' (read as ACUITE double B plus) on the Rs.42.82 Cr. bank facilities of Mahika Packaging India Limited(MPIL).

Rationale for Downgrade

The downgrade is on account of delays observed servicing of bank debt obligations.

About the Company

Incorporated in 2005, Mumbai based Mahika Packaging India Limited is engaged in manufacturing of custom plastic packaging solutions across different market sectors including personal care, healthcare, chemical and household product markets Mahika Packaging India Limited 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. Mahika Packaging India Limited has its manufacturing facilities are located in Daman and Vapi 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 current director of company is Mr. Amit Sushil Gupta, Mr. Tapan Kumar Banerjee, Mrs. Gunjan Parun Mehra, Mr. Sushil Brijlal Gupta and Mr. Sumit Sushil Gupta.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite 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.

Weaknesses

Instances of delays in servicing of debt obligations

Instances of delays in servicing of bank debt obligations have been reported in credit bureau information report of the company in recent past.

Intensive Working Capital Management

The company has working capital intensive nature of operations marked by improved yet high Gross Current Assets (GCA) days of 129 days in FY23 as against 170 days in FY22. This is majorly due to high inventory days and debtor days. The inventory days saw a improvement to 89 days as on March 31, 2023 as against 129 days as on March 31, 2022 and creditor days in FY23 is 36 days as against 101 days in FY22.

Furthermore, the working capital management of the firm is moderate marked by GCA days of 129 in FY23. The payment terms for domestic purchase are full or partial advance.

Rating Sensitivities

- Timely repayment of debt obligation.

Liquidity Position

Poor

The company's liquidity position is poor marked by recent instances of overdrawings and delays in meeting repayment obligations as confirmed by the banker and credit information bureau report.

Outlook

Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	121.97	71.40
PAT	Rs. Cr.	9.36	2.60
PAT Margin	(%)	7.67	3.64
Total Debt/Tangible Net Worth	Times	0.82	0.88
PBDIT/Interest	Times	2.99	3.19

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
19 Mar 2024	Cash Credit	Long Term	13.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Term Loan	Long Term	6.33	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Cash Credit	Long Term	5.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Term Loan	Long Term	2.38	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Term Loan	Long Term	5.78	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Term Loan	Long Term	4.01	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Term Loan	Long Term	6.29	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Proposed Long Term Bank Facility	Long Term	0.03	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
23 Dec 2022	Cash Credit	Long Term	13.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	6.33	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	2.38	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	5.78	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	4.01	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	6.29	ACUITE BBB- Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	0.03	ACUITE BBB- Stable (Assigned)
27 Dec 2021	Proposed Long Term Bank Facility	Long Term	6.29	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	8.71	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	13.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE BBB- (Reaffirmed & Withdrawn)

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 avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	13.00	ACUITE C Downgraded (from ACUITE BB+)
Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE C Downgraded (from ACUITE BB+)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.36	ACUITE C Downgraded (from ACUITE BB+)
Indian Bank	Not avl. / Not appl.	Term Loan	28 Jul 2022	Not avl. / Not appl.	28 Jul 2029	Simple	8.16	ACUITE C Downgraded (from ACUITE BB+)
Indian Bank	Not avl. / Not appl.	Term Loan	28 Jul 2022	Not avl. / Not appl.	28 Jul 2029	Simple	10.30	ACUITE C Downgraded (from ACUITE BB+)

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About Acuité Ratings & Research

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