

## Press Release

### Shree Krishna Packaging

June 24, 2021

### Rating Upgraded



<b>Total Bank Facilities Rated*</b>	Rs. 8.00 Cr.
<b>Long Term Rating</b>	ACUITE BB/Outlook: Stable (Upgraded from ACUITE BB-; Indicative)

\* Refer Annexure for details

### Rating Rationale

Acuite has upgraded the long term rating to '**ACUITE BB**' (read as **ACUITE double B**) from '**ACUITE BB-**' (read as **ACUITE double B minus**) on the Rs. 8.00 crore bank facilities of Shree Krishna Packaging (SKP). The outlook is '**Stable**'.

The rating upgrade is driven by moderate improvement in scale of operations despite challenges, economic slowdown and tepid industry scenario. The ratings also factor in moderate order book position, improvement in working capital cycle and profitability which is expected to be sustained over near to medium term. Further, longstanding relationship with its existing reputed customers, suppliers is likely to result in recurring orders and regular flow of raw material ensuring steady operations.

### About Company

Established in 2010, Shree Krishna Packaging (SKP) is a partnership firm engaged in manufacturing of new LPG cylinders. The manufacturing facility is located in Kala Amb, Himachal Pradesh with installed capacity of 6 lakhs cylinders per annum. The firm is promoted by Mr. Surender Jain who looks after the day to day operations and Mr. Manish Jain. The firm caters to reputed oil companies.

### Analytical Approach

Acuite has taken the standalone business and financial risk profiles of SKP for arriving at the rating.

### Key Rating Drivers

#### Strengths

#### • Experienced management, establish track record and reputed clientele

SKP has established presence since 2010, and is engaged in manufacturing of LPG cylinders. The promoters have over two decade experience in same line of business. The firm caters to reputed clientele like BPCL, HPCL and IOCL. Thus, reduces counterparty risk. Also, operating income of SKP stood improved at Rs. 24.28 crores in FY2021 (Provisional) as against Rs.11.93 crores in FY2020. The firm has maintained longstanding relationship with its customers and suppliers. The same is reflected through moderate order book position in hand of Rs.22.00 crores for FY2022. However, operating margins stood at 6.91 percent in FY2021 (Provisional) as against 13.12 percent in FY2020. The PAT margins stood improved at 0.25 percent in in FY2021 (Provisional) as against 0.06 percent in FY2020. Acuite believes firm will benefit from establish track record of operations and promoters experience in the industry.

#### • Average financial risk profile

The firm has average financial risk profile marked by net worth of Rs. 8.14 crore as on 31 March, 2021 (Provisional) as against Rs. 8.16 crore as on 31 March, 2020. The net worth includes unsecured loans of Rs.2.77 crores as on 31 March, 2021 (Provisional) and Rs.2.85 crores as on 31 March, 2020. The gearing stood at 1.20 times as on 31 March, 2021 (Provisional) as against 0.94 times as on 31 March, 2020. The total debt of Rs. 9.73 cr. outstanding as on 31 March, 2021(Provisional) comprising of short term borrowings from the bank of Rs.8.07 crores and Rs.1.65 crores of long term loans. The Interest Coverage Ratio stood at 1.57 times for FY2021 (Provisional) as against 1.68 times for FY2020. The net cash accruals

stood at Rs. 0.61 crore and NCA/TD at 0.06 times as on 31 March, 2021 (Provisional). Acuite believes the financial risk profile of the firm will remain average backed by improving scale of operations and no major debt funded capex plan.

## Weaknesses

### • Working capital intensive operations

SKP's working capital operations are intensive marked by Gross Current Assets (GCA) days of 205 days for FY2021 (Provisional) as against 366 days in previous year. This is majorly on account of inventory and debtor days. The inventory days albeit improved but continue to remain high at 115 days in FY2021 (Provisional) as against 283 days in FY2020. The receivable days stood at 95 days in FY2021 (Provisional) as 106 days in FY2020. The company get credit period of 30-60 days from its suppliers other than steel. The working capital limits stood almost fully utilised for last six month ending May 31, 2021. Acuite believes any adverse impact on working capital cycle may lead to deterioration in overall financial and liquidity profile of SKP.

### • Highly fragmented industry and tender base nature of operations

SKP operates in LPG manufacturing industry, which is marked by the presence of several small to big size players in the organized as well as unorganized sector, which limits the pricing power and impact margins. The same is reflected through thin margins in past years. Further, operations are tender based in nature and revenues depend on successful bidding of orders as well as new tenders been floated. However, this risk is mitigated to an extent as the management has been operating in this industry for more than two decades.

## Rating Sensitivities

- Decline in profitability margins and deterioration liquidity profile.
- Sustaining existing scale of operations
- Elongation in working capital cycle

## Liquidity Position: Adequate

The liquidity of firm stood adequate marked by net cash accruals of Rs. 0.60-0.75 crores as against repayment obligation of Rs. 0.06 crores in last three years ending FY2021 (Provisional). The same is expected to be in range of Rs.0.60 to Rs.1.00 crores as against repayment obligation of Rs.0.06 to Rs.0.70 in FY2022-24. The current ratio stood at 1.58 times and unencumbered cash balance stood at 0.09 crores as on March 31, 2021 (Provisional). The working capital limits stood almost fully utilised for last six month ending May 31, 2021. Acuite believes that the liquidity of the firm is likely to remain adequate over the medium term on account of adequate cash accrual against debt repayments.

## Outlook: Stable

Acuite believes that the outlook on the firm's rated facilities will remain 'Stable' over the medium term on account of its promoter's extensive industry experience and improvement in revenues. The outlook may be revised to 'Positive' in case of substantial and sustained growth in revenue and profitability along with improvement in liquidity profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile and liquidity position most likely as a result of higher than envisaged working capital requirements.

## About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	24.28	11.93
PAT	Rs. Cr.	0.06	0.01
PAT Margin	(%)	0.25	0.06
Total Debt/Tangible Net Worth	Times	1.20	0.94
PBDIT/Interest	Times	1.57	1.68

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

None

**Any other information**

None

**Any Material Covenants**

- Current ratio – Minimum 1 times
- TOL/TNW – Maximum 4.50 times

**Applicable Criteria**

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

**Note on complexity levels of the rated instrument**

<https://www.acuite.in/view-rating-criteria-55.htm>

**Rating History (Upto last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
28-Sep-2020	Cash Credit	Long Term	8.00	ACUITE BB- (Downgraded; Indicative)
04-Jul-2019	Cash Credit	Long Term	8.00	ACUITE BB (Indicative)
17-May-2018	Cash Credit	Long Term	8.00	ACUITE BB/Stable (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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BB/Stable (Upgraded)

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**About Acuite Ratings & Research:**

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