

Press Release

Patco Polypack Private Limited

November 17, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 8.60 Cr.
Long Term Rating	ACUITE B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) to the Rs. 8.60 crore bank facilities of Patco Polypack Private Limited (PPPL). The outlook is '**Stable**'.

The Gujarat-based, PPPL was incorporated in 2016 by the Patel family. The company is engaged in the manufacturing of high-density polyethylene (HDPE) fabric laminated tarpaulin. The manufacturing facility is located in Gujarat with an installed capacity to manufacture 450 MT per month with an average utilisation of ~60-65 percent.

Analytical Approach

Acuité has considered the standalone financial and business risk profile of Patco Polypack Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

- **Easy procurement of raw material**

PPPL is based in Himatnagar (Gujarat) and it is a hub for plastic industries. Hence, PPPL has close proximity to raw materials.

Weaknesses

- **Nascent stage of operations**

PPPL was incorporated in July 2016 and started operations in August 2017. Hence, due to nascent stage of operations, the company has a short track record along with a small scale of operations with revenue of Rs.5.15 crore for FY2018. Although, the company has registered revenue of ~Rs.17.00 crore for the six months ending September, 2018.

- **Vulnerability of margins to volatility in raw material prices and foreign exchange (forex) rates**

The major raw material for PPPL is HDPE granules which is a derivative of crude oil. Hence, the product is highly affected by the volatility in prices of crude oil. Further, the company exports 5 percent of its products to Sri Lanka, Colombia and Nepal. In absence of hedging mechanism, the company faces foreign exchange fluctuation risk. Profit of the company is susceptible to changes in both these factors.

- **Weak financial risk profile**

PPPL has a weak financial risk profile marked by net worth of Rs.5.33 crore as on March 31, 2018 (includes quasi capital of Rs.2.31 crore) against Rs.2.72 crore as on March 31, 2017. The total debt of Rs.8.21 crore comprises of Rs.6.10 crore of long term loan from the bank and Rs.2.11 crore of short term working capital from the bank. The debt to equity ratio of the company stood at 1.54 times as on March 31, 2018 against 0.28 times as on March 31, 2017. The interest coverage ratio stood at 1.51 times for FY2018. TOL/ TNW stood at 1.96 times for FY2018.

Outlook: Stable

Acuité believes that the outlook on PPPL's rated facilities will remain 'Stable' over the medium term on account of promoters past experience in dealing with clients. The outlook may be revised to 'Positive' in case the company generates higher-than-expected revenues while maintaining the margins. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected margins leading to lower cash accruals.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	5.15	0.00
EBITDA	Rs. Cr.	1.16	0.00
PAT	Rs. Cr.	0.03	0.00
EBITDA Margin	(%)	22.52	0.00
PAT Margin	(%)	0.56	0.00
ROCE	(%)	9.50	0.00
Total Debt/Tangible Net Worth	Times	1.54	0.28
PBDIT/Interest	Times	1.51	0.00
Total Debt/PBDIT	Times	7.01	0.00
Gross Current Assets (Days)	Days	495	0

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)

Not Applicable

*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	2.45	ACUITE B / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.08	ACUITE B / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	4.63	ACUITE B / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.44	ACUITE B / Stable

*with an LC sublimit of Rs.0.47 crore

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Jyotsna Nebhnani Analyst - Rating Operations Tel: 022 49294074 jyotsna.nebhnani@acuiteratings.in	

About Acuité Ratings & Research:

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