

Press Release

Yash Packaging

D-U-N-S® Number: 67-548-1291

January 21, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 7.00 Cr. (Enhanced from Rs.6.50 crore)
Long Term Rating	ACUITE B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE B**' (read as **ACUITE B**) to the Rs. 7.00 crore bank facilities of Yash Packaging (YP). The outlook is '**Stable**'.

The Gujarat based, YP was established in 2006 as a proprietorship firm and in 2015, and it was converted to a partnership firm by Mr. Anil Jain and Mr. Yash Jain. The firm is engaged in manufacturing steel containers of 15kg each for oil storage. The unit has a capacity to produce 24000 containers per day.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Yash Packaging to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

YP is engaged in manufacturing of steel containers for oil storage purpose and catering to oil manufacturing industry. The partners of the firm have an experience of over a decade in the aforementioned industry. YP has established relations with reputed clients including Bunge India Private Limited, amongst others and suppliers such as JSW Vallabh Tinplate Private Limited to name a few. Acuité believes that YP will continue to benefit from its experienced management and established relations with clients.

- **Comfortable working capital operations**

YP's working capital operations are comfortable marked by Gross Current Assets (GCA) of 102 days in FY2018 compared to 216 days in FY2017. The GCA days are dominated by debtor days of 61 in FY2018. The working capital intensity is further reflected from the high utilisation of ~90 percent of its working capital facilities for past six months ended October 2018. Acuité believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Weaknesses

- **Average financial risk profile**

YP has average financial risk profile marked by low tangible net worth of Rs.1.94 crore as on 31 March, 2018 as against Rs.1.87 crore as on 31 March, 2017. The gearing (debt- equity) stood average at 1.42 times as on 31 March, 2018 as against 1.45 times as on 31 March, 2017. The total debt of Rs.2.77 crore mainly consists of term loan of Rs.0.69 crore, unsecured loan of Rs.1.25 crore and working capital borrowings of Rs.0.83 crore as on 31 March, 2018. Interest Coverage Ratio (ICR) stood healthy at 4.30 times for FY2018 as against 2.87 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) improved to 0.17 times for FY2018 as against 0.08 times for FY2017.

• **Competitive and fragmented nature of industry**

YP operates in a highly competitive and fragmented steel industry with presence of players from both organised as well as unorganised sector. This puts pricing pressure on YP, thereby affecting profitability margins.

Outlook: Stable

Acuite believes that YP will maintain a 'Stable' outlook over the medium term owing to its experienced management and steady flow of orders. The outlook may be revised to 'Positive' if the firm generates substantial revenues and operating margins while maintaining its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the working capital cycle elongates or if the financial risk profile deteriorates.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	10.48	3.42	5.74
EBITDA	Rs. Cr.	0.58	0.31	0.65
PAT	Rs. Cr.	0.12	0.03	0.08
EBITDA Margin	(%)	5.51	9.06	11.23
PAT Margin	(%)	1.14	0.90	1.46
ROCE	(%)	5.62	3.47	16.48
Total Debt/Tangible Net Worth	Times	1.42	1.45	2.91
PBDIT/Interest	Times	4.30	2.87	3.03
Total Debt/PBDIT	Times	4.56	8.46	4.14
Gross Current Assets (Days)	Days	102	216	89

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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
14-Dec-2018	Proposed Cash Credit	Long Term	2.00	ACUITE B/Stable (Assigned)
	Proposed Long Term Loan	Long Term	4.50	ACUITE B/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
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE B / Stable (Reaffirmed)
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	5.00 (Enhanced from Rs.4.50 crore)	ACUITE B / Stable (Reaffirmed)

Contacts

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About Acuité Ratings & Research:

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