

Press Release

Yash Packaging

November 20, 2019



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

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

Gujarat based, Yash Packaging (YP) was established in 2006 as a proprietary concern and later in 2015 it was reconstituted as a partnership firm by Mr. Anil Jain and Mr. Yash Jain. The firm is engaged in manufacturing steel containers of 15kg for edible oil storage. The unit has a capacity to produce 9,00,000 containers per month.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced management and established track record of operation

YP was established by Mr. Anil Jain in 2006 as a proprietary concern. Mr. Jain has been in the same industry for more than a decade. In 2015, he was joined by his son Mr. Yash Jain as a partner. The experience of the promoters is reflected through their healthy relations with customers and the established operational track record of over a decade.

Acuité believes that the firm will continue to benefit from its experienced management.

• Growing scale of operation

YP has recorded consistent growth in scale of operations achieving a growth of CAGR 78.69 per cent during the period under study. The operating income stood at Rs. 10.92 crore in FY2019, Rs. 10.48 crore in FY2018 and Rs. 3.42 crore in FY2017. Operating and PAT margins have also shown an increase during the period under study. The margins stood at 7.94 per cent and 2.56 per cent respectively in FY2019 and 5.51 percent and 1.14 percent respectively in FY2018. The scale of operations is expected to increase on account of expansion in manufacturing capacity that will be funded by debt. However, the profitability will be range bound due to increase in interest costs.

Weaknesses

• Customer concentration risk

The firm faces high customer concentration risk. Its major customers are Tata Tinplate and Bunge India who accounted for approximately 80 to 90 percent of its sales in the last three year period ended FY2019. The high customer concentration increases the susceptibility of the firm's revenue growth and profitability to the growth plans, procurement and credit policies of its key customers.

• Competitive and fragmented nature of industry

YP operates in a highly competitive and fragmented industry as there is presence of multiple players from both organized as well as unorganized players in the industry. This puts pressure on the profitability of the firm.

Liquidity Position: Adequate

YP has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The company has generated cash accruals of Rs. 0.69 crore in FY2019 as against Rs. 0.47 crore in FY2018, while its maturing debt obligations were Rs. 0.38 crore and Rs. 0.38 crore for the same period. The firm's working capital operations are efficient marked by low working capital cycle of 53 days in FY2019. Average utilization of cash credit limits stands at around 80 percent for the period April 2019 – September 2019. The current ratio of the firm stands at 1.18 times as on March 31, 2019.

Rating Sensitivities

- A sustained improvement in the scale of operations while maintaining profitability will be a key rating sensitivity.

Material Covenants

None

Outlook: Stable

Acuité believes that YP will maintain a Stable outlook and continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the company registers substantial revenue growth while maintaining stable profitability. Conversely, the outlook may be revised to 'Negative' in case of failure in achieving the projected scalability in revenue or deterioration in profitability on account of higher than expected increase in cost.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	10.92	10.48	3.42
EBITDA	Rs. Cr.	0.87	0.58	0.31
PAT	Rs. Cr.	0.28	0.12	0.03
EBITDA Margin	(%)	7.94	5.51	9.06
PAT Margin	(%)	2.56	1.14	0.90
ROCE	(%)	8.87	5.62	3.47
Total Debt/Tangible Net Worth	Times	0.51	0.47	0.72
PBDIT/Interest	Times	3.64	4.30	2.87
Total Debt/PBDIT	Times	2.66	2.50	6.00
Gross Current Assets (Days)	Days	133	102	216

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

Not Applicable

Any other information

Acuité is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities – <https://www.acuite.in/view-rating-criteria-4.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. Crore.)	Ratings/Outlook
21-Jan-2019	Proposed Term Loan	Long Term	5.00 (Enhanced from Rs. 4.50)	ACUITE B/Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	2.00	ACUITE B/Stable (Reaffirmed)
14-Dec-2019	Proposed Term Loan	Long Term	4.50	ACUITE B/Stable (Assigned)
	Proposed Cash Credit	Long Term	2.00	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
Term Loan	Not Applicable	Not Applicable	Not Applicable	4.90	ACUITE B/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE B/Stable (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.10	ACUITE B/Stable (Reaffirmed)

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About Acuité Ratings & Research:

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