

Press Release

Vyanktesh Packaging Hyderabad Private Limited

April 01, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 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 plus**) to the Rs. 10.00 crore bank facilities of VYANKTESH PACKAGING HYDERABAD PRIVATE LIMITED (VPPL). The outlook is '**Stable**'.

VPPL incorporated in 2017 by Mr. Mahendra Kumar Agrawal Mr. Arpit Bangur and Mr. Abhishek Lahoty. The company is setting up a manufacturing unit in Kokkonda for manufacturing of corrugated boxes. The company is expected to have an installed capacity of 1500 TPM. The unit will operate as a subsidiary of Vyanktesh Corrugators Private Limited.

Vyanktesh Corrugators Private Limited (VCPL), Incorporated in 1996 as a part of the Packing People group, is engaged in the manufacturing of corrugated boxes using kraft paper. It is based in Ujjain (Madhya Pradesh). The company is promoted by Bangur family.

Analytical Approach

Acuité has consolidated the financial and business risk profiles of VPPL and VCPL, on account of high operational fungibility between the entities and common ownership. Extent of Consolidation: Full.

Key Rating Drivers

Strengths

- **Experienced management**

Established in 1996, the group has established its presence in the packaging industry. Promoted by Bangur family, the promoters have been associated with the industry for more than two decades which has helped the group to establish healthy and long standing relations with some of the reputed customers and suppliers. Acuité believes that the group will continue to benefit on account of its experienced management.

Weaknesses

- **Average financial risk profile**

The group has an average financial risk profile marked by net worth of Rs.15.02 crore as on March 31, 2018 from Rs.14.70 crore in the previous year. The gearing stood at 1.17 times as on March 31, 2018 and March 31, 2017. The total debt of Rs.17.62 crore in FY2018 comprises long term debt of Rs.1.47 crore, unsecured loans from Directors and relatives of Rs.0.51 crore and short term working capital borrowing to the tune of Rs.15.64 crore. Interest Coverage Ratio (ICR) stood at 1.55 times in FY2018 and 1.58 times in FY2017. Total outside liabilities/ Total net worth (TOL/TNW) stood at 2.04 times as on March 31, 2018 as against 1.99 times as on March 31, 2017. Net cash accruals stood at Rs.0.90 crore against debt repayment obligation of Rs.0.26 crore. Acuité believes that the group will maintain average financial risk profile on account of debt funded capex; however, cashflows from the new unit are expected to be sufficient to meet the debt obligation.

- **Working capital intensive nature of operations**

The group has working capital intensive nature of operations marked by Gross Current Assets (GCA) of 238 days in FY2018 as against 279 days in the previous year. The intensive nature is due to the long stock holding period of 145 days in FY2018 as compared to 184 days in FY2017. However, collection period and creditor days also are on the higher side at 91 days and 83 days respectively in the FY2018. Moreover, working capital borrowings are almost fully utilised for last six months ended in

February 2019. Acuité believes that improvement in working capital cycle would be the key rating sensitivity in the medium term.

• Project execution and implementation risk

VPPL is setting up a manufacturing plant in Telangana. The total project cost is ~Rs.13.85 crore. The project is expected to be funded partly through bank debt of Rs.10.00 crore and promoters funding of Rs.3.85 crore. The commercial date of operations for this project is expected to be May 2019. Any significant delays in implementation of the project or achieving the commercial operations will impact the debt protection indicators. Acuité believes that the timely completion of the project and generation of sufficient net cash accruals in order to repay its debt obligations will be a key rating sensitivity.

Liquidity Position:

The group has weak liquidity position marked by almost full utilisation of bank facilities at ~90 per cent over the last six months ending on February 2018 and highly intensive working capital operations marked by GCA days of 238 in FY2018. The company has cash and bank balance of Rs.0.13 crore as on March 31, 2018. Acuité believes that the liquidity of the group is likely to remain stretched over the medium term on account of high inventory levels.

Outlook: Stable

Acuité believes that the outlook on the group will remain 'Stable' over the medium term on account of the experienced management and reputed client base in the industry. The outlook may be revised to 'Positive' if the group registers growth in profitability margins while maintaining a comfortable liquidity position and capital structure. Conversely, the outlook may be revised to 'Negative' in case of further deterioration of its financial risk profile due to higher than expected working capital requirements or delays in commencement of operations of VPPL.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	56.24	48.29	40.92
EBITDA	Rs. Cr.	2.82	2.87	2.44
PAT	Rs. Cr.	0.31	0.23	0.05
EBITDA Margin	(%)	5.02	5.94	5.95
PAT Margin	(%)	0.55	0.47	0.13
ROCE	(%)	6.80	6.61	10.56
Total Debt/Tangible Net Worth	Times	1.17	1.17	1.33
PBDIT/Interest	Times	1.55	1.58	1.52
Total Debt/PBDIT	Times	6.09	5.95	7.19
Gross Current Assets (Days)	Days	238	279	270

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

CRISIL, vide its press release dated Feb 26, 2019 had denoted the rating of Vyanktesh Corrugators Private Limited as 'CRISIL B+ /Stable; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

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>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.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
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE B+ / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE B+ / Stable

Contacts

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About Acuité Ratings & Research:

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