

Press Release

Sri Krishna Packs

October 03, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 6.93 Cr.
Long Term Rating	ACUITE B+/Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs. 6.93 crore bank facilities of SRI KRISHNA PACKS (SKP). The outlook is '**Stable**'.

Sri Krishna Packs (SKP), a partnership firm, was established in 2014 by four partners namely Mr. A Gopala Krishnana, Mr. S Annaiyan, Ms. A Kasturi and Ms. G. Logeshwari. The firm is engaged in manufacturing of HDPE and Woven bags. The firm has manufacturing capacity of 1135 Tonnes per annum. The major raw materials required are polypropylene and fillers and they procure Poly propylene from MRPL Mangalore and fillers from various suppliers.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Sri Krishna Packs to arrive at this rating.

Key Rating Drivers:

Strengths

- **Experienced management**

The firm was established by Mr. Gopala Krishnan, who has more than 15 years of experience in the industry. Mr. Gopala Krishnan's experience has helped RPPL build healthy relationships with its stakeholders, to ensure a steady raw material supply and better offtake of business. Acuite believes that the promoters' experience in industry would help grow the business in medium term.

- **Moderate working capital management**

The operations of the firm are working capital intensive marked by high gross current asset days (GCA) at 94 days for FY2019 (Provisional) compared 91 days for FY2018. This is mainly on account of high inventory maintenance, which stood at 140 days in FY2018. Further, the debtor's realization cycle stood about 35 days for the last two years through FY2019 (Provisional). The same led to 85 per cent of bank lines for the last six months ended August 2019. Acuite believes that the operations continue at similar levels over the medium term supported by efficient realisation of debtors.

Weaknesses

- **Modest scale of operations**

The revenues of the firm remained modest, which is reflected at Rs. 14.96 crore in FY2019 (Prov) against Rs. 8.57 crore in FY2017. Further, the operating margins of firm is about 14 per cent in FY2019, an improvement from 9.04 per cent in FY 2018. Though the profitability margins are expected to improve, however, the revenues continues to be at modest levels owing to modest capacity.

- **Weak financial risk profile**

The financial risk profile of the firm is weak marked by high gearing (debt to equity ratio), comfortable total outside liabilities to total net worth (TOL/TNW) and below average debt protections metrics. Gearing is high at 2.38 times as on 31 March, 2019 (Prov) as against 4.36 times as on 31 March, 2018. The same is on account low net worth and high reliance on working capital borrowings. TOL/TNW is high at 3.16 times as on 31 March, 2019 (Prov) as against 5.19 times as on 31 March, 2018. Net worth is modest at Rs. 2.10 crore as on 31 March, 2019 (Prov) as against Rs.1.43 crore as on 31 March, 2018. Debt protection metrics of interest coverage ratio and net cash accruals to total debt are moderate

at 0.27 times and 3.52 times, respectively, in FY2019 (Prov). The firm has done capital expenditure of Rs.3.53 crore to install wind mill 1 MW and for plant and machinery. The firm reported cash accruals of Rs. 1.45 crore for FY2019 (Prov). The cash accruals are expected to be in the range of Rs. 1.20-1.50 crore against maturing obligations of about Rs. 0.85 crore over the medium term. Acuite believes that with moderate accruals to repayment obligations, the financial risk profile continues to be at similar levels over the medium term.

Rating Sensitivity

- Increase in scale of operations, while maintaining stable profit margins
- Improvement in its capital structure
- Deterioration in financial risk profile due to capital expenditure

Material Covenants

None

Liquidity Position:

Liquidity of SKP is stretched marked by modest cash accruals to maturing obligations. It has reported cash accruals of Rs.1.45 crore in FY2019 (Prov). Its expected cash accruals are in the range of Rs.1.20-1.50 crore against its repayment obligations of Rs.0.17- 0.30 crore over the medium term. Their bank lines are utilized highly at 85 per cent through past six months ending June 2019. Acuite believes that the liquidity profile continues to be at similar levels owing to modest accruals and repayment obligations.

Outlook: Stable

Acuite believes that SKP will maintain a 'Stable' outlook over the medium term owing to its promoter's experience in the industry. The outlook may be revised to 'Positive' in case the firm registers healthy revenues growth and improvement of capital structure. Conversely, the outlook may be revised to 'Negative' in case of significant decline in its profitability margins and stretch in its working capital cycle leading to deterioration of financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY19 (Prov)	FY18(Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	14.96	13.06	8.57
EBITDA	Rs. Cr.	2.34	1.18	0.92
PAT	Rs. Cr.	0.67	(0.41)	0.09
EBITDA Margin	(%)	15.64	9.04	10.73
PAT Margin	(%)	4.50	(3.11)	1.04
ROCE	(%)	20.58	4.70	11.40
Total Debt/Tangible Net Worth	Times	2.58	4.36	2.83
PBDIT/Interest	Times	3.52	1.65	2.10
Total Debt/PBDIT	Times	2.32	5.27	4.40
Gross Current Assets (Days)	Days	94	91	140

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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
Term Loans	Not Applicable	Not Applicable	Not Applicable	5.53	ACUITE B+/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.40	ACUITE B+/Stable (Assigned)

Contacts

Analytical	Rating Desk
<p>Srihari Adari Head – Corporate and Infrastructure Ratings Tel: 040-40042327 srihari.adari@acuite.in</p> <p>P Krishi Keyan Analyst - Rating Operations Tel: 040-40274590 krishi.keyan@acuite.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in</p>

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