Press Release

Himalayan Packaging Industries Private Limited

November 01, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs.15.00 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable
Short Term Rating	ACUITE A4+

** Refer Annexure for details*

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB+**' **(read as ACUITE double B plus)** and short term rating of '**ACUITE A4+**' **(read as ACUITE A four plus)** on the Rs.15.00 crore bank facilities of HIMALAYAN PACKAGING INDUSTRIES PRIVATE LIMITED. The outlook is **'Stable'**.

Himalayan Packaging Industries Private Limited (HPPL), a flagship company of Himalayan Group, was incorporated in 2006 with it's headquarter in New Delhi and is engaged in manufacturing of PET/PP/PC/HDPE bottles. HPPL with its manufacturing unit in Dehradun, which is having a capacity of 2700 lacs bottles per annum is catering to Pharmaceutical, FMCG, liquor industry to name a few. The company is promoted by Mr. Suresh Singhal and Mr. Subhash Chandra Daga.

About the Group

Himalayan Group is engaged in manufacturing of PET bottles, jars, caps, and containers for FMCG, food and beverages, and pharmaceutical companies with manufacturing facility located in Dehradun and Bhopal. The group includes Himalayan Packaging Industries Pvt. Ltd., Himalayan Polymer Industries, Himalayan Polysports Pvt. Ltd. (earlier known as Mahapet India Pvt. Ltd), Himalayan Skincare Pvt. Ltd. and Himalayan Caps & Containers. Currently, the group is in the process of consolidation with merger of Himalayan Skincare Pvt. Ltd. and Himalayan Caps & Containers into Himalayan Packaging Industries Pvt. Ltd, Himalayan Polymer Industries and Himalayan Polysports Pvt. Ltd.

Analytical Approach

Acuité has consolidated the business and financial risk profile of Himalayan Packaging Industries Private Limited, Himalayan Polymers Industries, Himalayan Caps and Containers, Himalayan Skincare Private Limited and Himalayan Polysports Private Limited, hereafter referred to as Himalayan Group. The consolidation is in view of similarity in the line of business, inter- company transactions and common management. Extent of consolidation: Full.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**
  Himalayan group has been in the manufacturing of PET bottles from 2006, which gives them more than one decade of experience in the Plastic industry. Being in the said industry for a considerable long period of time has helped the group maintain good relations with its customers and suppliers. The promoters of the group are having extensive experience in the said industry and are ably supported by a strong line of mid-level managers.
  Acuité believes that the group's established market position in the aforementioned industry, its experienced management and established relations with customers will continue to benefit the group over the medium term.

- **Diversified and Reputed Clientele**
  The company has reputed clientele such as Tupperware, Decathlon, Patanjali Ayurved Ltd., Emami Limited, Heinz India Pvt. Ltd. to name a few from diversified industries such as FMCG, Liquor, Pharmaceutical sector. Further, the company is having manufacturing units in Dehradun as well as Bhopal which enables the group to have presence in North as well as Central India.

Weaknesses

- **Working capital intensive nature of operations**
  The operation of Himalayan Group are working capital intensive marked by Gross Current Asset (GCA) of 137 days in FY2019 (Provisional) as compared to 150 days in FY2018. This is on the account of improvement in debtors' collection period from 95 days in FY2018 to 60 days in FY2019 (Provisional) and inventory holding period from 49 days in FY2018 to 48 days in FY2019 (Provisional).
  Acuité believes that the working capital operations of the group will continue to remain intensive on account of level of debtor's collection period.

- **Average financial risk profile**
  The group has average financial risk profile marked by average net worth, moderate debt protection metrics and high gearing. The net worth of the group stood at Rs.19.06 crore as on 31 March, 2019 (Provisional) as against Rs.11.35 crore as on 31 March, 2018.

  The gearing level (debt-equity) improved and stood at 1.66 times as on 31 March 2019 (Provisional) as against 3.83 times as on 31 March 2018, due to repayment of debt and accretion of, reserves. The total debt of Rs.31.74 crore as on 31 March, 2019 (Provisional) consists of long term debt of Rs.4.75 crore, unsecured loans of Rs.13.58 and working capital borrowings of Rs.13.41 crore. The moderate deterioration in profitability levels due to increase in raw material price has resulted in downfall of net cash accruals to Rs.6.92 crore in FY2019 (Provisional) from Rs.8.67 crore in FY2018. However, the total debt has subsequently reduced leading to stable debt protection measures. The interest coverage ratio (ICR) stood at 2.38 times in FY2019 (Provisional) as against 2.39 times in FY2018. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.22 times in FY2019 (Provisional) and 0.20 times in FY2018. Debt to EBITDA stood at 2.36 times in FY2019 (Provisional) as against 2.70 times in FY2018.

  Acuité believes that the financial risk profile of the group is expected to improve slightly backed by moderate net cash accruals, repayment of existing of long term debt and in absence of any major debt funded capex in near to medium term.

- **Susceptibility of margins to volatility in raw material prices**
  The polymer prices are linked to prices of crude. Since crude prices exhibit high volatility depending on the actions of the major crude players like OPEC, the prices of polymers also move in tandem.
  The domestic demand for polymers is met through domestic suppliers as well as through imports. India is a net importer of petrochemical products, hence the domestic prices are generally aligned to the landed cost of imports. Any further buildup in the global capacities can have an influence on the domestic prices, thereby adding to the competitive landscape. The demand for polymers is linked to general industrial activity and any slowdown in domestic output will have moderating impact on the demand for polymers. Acuité expects that the revenues and margins of the group will remain exposed to fluctuations petrochemical prices, competitive landscape and demand for polymers.

Rating Sensitivities

- Improvement in scale of operations, while improving the profitability margin over the medium term.
- Improvement in the liquidity of the group (in the range of 1.3-2.0 times)
- Reduction in the Gross Current Assets days.

Material Covenants

None

Liquidity Position: Adequate

The group has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.7.79 crore in FY2019 (Provisional) against debt obligations of Rs.0.79 crore for the same period. The cash accruals of the group are estimated to remain in the range of around Rs.7.45 crore to Rs. 9.41 crore during FY2020-22. The group's working capital operations are intensive marked by gross current asset (GCA) days of 137 days in FY2019 (Provisional). The group maintained unencumbered cash and bank balances of Rs.0.02 crore as on 31 March, 2019 (Provisional). However, the current ratio stood low at 0.92 times as on 31 March, 2019 (Provisional) as against 1.01 times as on 31 March, 2018.

Outlook: Stable

Acuité believes the Himalayan group will benefit over the medium term from its promoters' long-standing presence and established client relationship. The outlook may be revised to 'Positive' if revenue and profitability increase more than expected, and if working capital cycle improves, leading to a better business risk profile. The outlook may be revised to 'Negative' if debt protection metrics weakens on account of lower-than-expected increase in operating income or profitability, or significant, debt-funded capex leading deterioration in group's liquidity position.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	101.05	101.88	109.24
EBITDA	Rs. Cr.	12.20	14.82	14.74
PAT	Rs. Cr.	1.64	2.74	1.32
EBITDA Margin	(%)	12.07	14.54	13.49
PAT Margin	(%)	1.62	2.69	1.21
ROCE	(%)	15.86	19.37	17.56
Total Debt/Tangible Net Worth	Times	1.66	3.83	4.63
PBDIT/Interest	Times	2.38	2.39	2.12
Total Debt/PBDIT	Times	2.36	2.70	2.74
Gross Current Assets (Days)	Days	137	150	121

Status of non-cooperation with previous CRA:

CRISIL, vide its press release dated January 29, 2019 had denoted the rating of Himalayan Packaging Industries Private limited as 'CRISIL BB+/Stable/CRISIL A4+ (ISSUER NOT COOPERATING)' on account of lack of adequate information required for monitoring of ratings.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - https://www.acuite.in/view-rating-criteria-17.htm
- Application of Financial Ratios and Adjustments -https://www.acuite.in/view - rating-criteria-20.htm
- Manufacturing Entities- https://www.acuite.in/view-rating-criteria-4.htm
- Consolidation Criteria- 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 (Up to 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	6.00	ACUITE BB+ /Stable (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	8.50	ACUITE A4+ (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE BB+ /Stable (Assigned)

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About Acuité Ratings & Research:
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