

Press Release

Himalayan Packaging Industries Private Limited

June 14, 2022



Rating Assigned, Reaffirmed and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1.50	-	ACUITE A4+ Assigned
Bank Loan Ratings	1.50	-	ACUITE A4+ Reaffirmed
Bank Loan Ratings	13.50	ACUITE BB+ Stable Upgraded	-
Bank Loan Ratings	2.50	ACUITE BB+ Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	19.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded its long-term rating to '**ACUITE BB+**' (read as **ACUITE Double B plus**) from '**ACUITE BB-**' (read as **ACUITE double B minus**) and reaffirmed the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.15.00 Cr bank facilities and assigned the 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 its enhanced limits of 4.00 Cr bank facilities of Himalayan Packaging Industries Private Limited (HPIPL). The Outlook is **Stable**

The rating upgrade is in view of consistent growth in its operational metrics and improved financial risk profile. The rating continues to derive strength from its established track record, experienced management, diversified and reputed clientele and moderate financial risk profile, however, is constrained by its susceptibility to fluctuations of raw material prices and intensive working capital management.

About the Company

Himalayan Packaging Industries Private Limited (HPIPL), a flagship company of Himalayan Group, was incorporated in 2006 with its headquarters in New Delhi and is engaged in manufacturing of PET/PP/PC/HDPE bottles used in Pharma, FMCG, Sports and Liquor Industry. HPIPL has an installed capacity to manufacture 2,700 lacs of bottles per day. Himalayan Polymers Industries with a unit in Dehradun too with total capacity of manufacturing 2,004 lacs bottles per day has been merged into HPIPL in November 2021; taking the aggregate capacity to 4,704 lacs bottles per day. The company is promoted by Mr. Suresh Singhal and Mr. Subhash Chandra Daga.

Analytical Approach

Acuité has considered the standalone financial and business risk profile of HPIPL to arrive at the rating.

Key Rating Drivers

Strengths

Established track record of operations and experienced management

Himalayan Packaging Industries Private Limited 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., Zydus Wellness Ltd, to name a few from diversified industries such as FMCG, Liquor, Pharmaceutical sector. Further, the group is having manufacturing units in Dehradun, Bhopal, Ahmedabad which enables the group to have presence in North as well as Central India.

Moderate financial risk profile:

Financial risk profile of HPIPL is moderate marked by comfortable net worth, low gearing and debt protection metrics. Net worth of the company stood at Rs.54.68 Cr as on March 31, 2022(provisionals) as against Rs.16.98 Cr on March 31, 2021(provisional). Gearing levels (adjusted Debt to equity) stood comfortable at 0.40 times as on March 31, 2022(provisionals). Interest coverage ratio stood around 4.97 times as on March 31, 2022(Provisionals) against 5.51 times on March 31, 2021. Debt service coverage ratio(DSCR) stood at 3.79 times as on March 31, 2022. Total outside liabilities to total net worth (TOL/TNW) stood at 0.57 times as on March 31, 2022 (Provisionals) against 0.91 times as on March 31, 2021. Acuite believes that financial risk position of HPIPL will remain stable and healthy over the medium term.

Weaknesses

Working capital intensive nature of operations

Working capital management of HPIPL is intensive marked by its GCA of 183 days as on March 31, 2022 (Provisional) against 136 days as on March 31, 2021. Debtor days increased to 105 days as on March 31, 2022 against 67 days on March 31, 2021. The increase in debtor days is mainly due to addition of debtors of Himalayan polymers. Creditor days stood around 36 days as on March 31, 2022 (provisional). Current ratio improved to 1.85 times as on March 31, 2021 from 1.62 times as on March 31, 2021. Inventory days increased to 49 days as on March 31, 2022 from 24 days in previous year. The company usually maintains 1 week of raw material inventory and 2 weeks of finished goods inventory. Acuite believes that working capital management of the company will get slightly better over the medium term

Susceptibility to changes 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 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 company will remain exposed to fluctuations petrochemical prices.

Rating Sensitivities

- Improvement in scale of operations, while improving the profitability margin over the medium term.
- Improvement in the liquidity of the company
- Reduction in the Gross Current Assets days.

Material covenants

None

Liquidity: Adequate

HPIPL has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.6.31Cr for FY22 (Provisional), with debt repayment obligations of Rs.3.53 Cr for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.8.00 Cr – Rs.10Cr over the medium term. The company's working capital operations are intensive, marked by GCA of 183 days as on March 31, 2022. Unencumbered cash and bank balances stood at Rs.0.01 Cr as on March 31, 2022. The current ratio of the company stood at 1.85 times in FY22. Bank limits utilization of HPIPL is high as it stood around 95 percent. Acuité believes that the liquidity position of the company is likely to remain adequate over the medium term on account of adequate cash accruals against its debt repayments over the medium term.

Outlook: Stable

Acuité believes the Himalayan Packaging Industries Private Limited will benefit over the medium term from its promoters' longstanding 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.

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	108.27	63.81
PAT	Rs. Cr.	3.71	2.21
PAT Margin	(%)	3.43	3.46
Total Debt/Tangible Net Worth	Times	0.42	0.40
PBDIT/Interest	Times	4.97	5.51

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-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
13 Apr 2022	Letter of Credit	Short Term	8.50	ACUITE A4+ (Issuer not co-operating*)
	Proposed Bank Facility	Long Term	0.50	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	6.00	ACUITE BB- (Downgraded and Issuer not co-operating*)
08 Jan 2021	Cash Credit	Long Term	6.00	ACUITE BB (Downgraded and Issuer not co-operating*)
	Proposed Bank Facility	Long Term	0.50	ACUITE BB (Downgraded and Issuer not co-operating*)
	Letter of Credit	Short Term	8.50	ACUITE A4+ (Issuer not co-operating*)
01 Nov 2019	Proposed Bank Facility	Long Term	0.50	ACUITE BB+ Stable (Assigned)
	Letter of Credit	ShortTerm	8.50	ACUITE A4+ (Assigned)
	Cash Credit	Long Term	6.00	ACUITE BB+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	13.50	ACUITE BB+ Stable Upgraded
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BB+ Stable Assigned
Kotak Mahindra Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4+ Reaffirmed
Kotak Mahindra Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4+ Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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