

## Press Release

### Ideal Pet Industries

October 19, 2020



### Rating Withdrawn

<b>Total Bank Facilities Rated*</b>	Rs.18.50 Cr.
<b>Long Term Rating</b>	ACUITE BB+ (Withdrawn)

\* Refer Annexure for details

Acuité has withdrawn the long term rating of '**ACUITE BB+** (**read as ACUITE double B plus**) on the Rs.18.50 crore bank facilities of Ideal Pet Industries (IPI). The rating withdrawal is in accordance with Acuité's 'policy on withdrawal of rating'.

The rating is being withdrawn on account of request received from the company and NOC received from the bank.

Himachal Pradesh based, Ideal Pet Industries (IPI) was established in 2008 as a partnership firm called Ideal Strips and subsequently the name was changed to Ideal Pet Industries in 2018. The firm is engaged in the manufacturing of PET bottles for pharmaceutical companies.

The plant is located in Sirmour district, Himachal Pradesh and has an installed capacity of ~20 lakh bottles per day.

#### **Analytical Approach**

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

#### **Key Rating Drivers**

##### **Strengths**

- Experienced management**

IPI was established in 2008 as a partnership firm. The partners of the company, Mr. Rajesh Kumar and Mr. Yogesh Jindal have an experience of about two decades and eighteen years respectively in the aforementioned line of business. The established track record of operations and experience of management has helped the firm to develop healthy relationships with customers and suppliers. Acuité believes that IPI will sustain its existing business profile backed by an established track record of operations and experienced management.

- Above average financial risk profile**

The firm has above-average financial risk profile marked by moderate networth, low gearing and above-average debt protection metrics. The net worth stood at Rs.16.65 crore as on 31 March, 2020 (Prov) as against Rs.19.02 crore as on 31 March 2019. The firm has followed a conservative financial policy in the past, the same is reflected through its gearing levels of 0.97 times as on March 31, 2019. The gearing stood at 1.05 times as on March 31, 2020(Prov). Further, the interest coverage ratio improved to 5.10 times for FY2020 (Prov) as compared to 2.85 times for FY2019. Total outside liabilities to total net worth (TOL/TNW) stood at 1.29 times as on 31 March, 2020(Prov) as against 1.09 times as on 31 March, 2019.

Acuité believes that the financial risk profile of the firm is likely to remain above average over the medium term, on account of low gearing and above-average debt protection metrics.

#### **Weaknesses**

- Working capital intensive nature of operations**

The company's operations are working capital intensive in nature as reflected in Gross Current Assets (GCA) of 443 days in FY2019 as against 362 days in FY2018. GCA days remained high due to high inventory holding period of 200 days in FY2019 as compared to 191 days in FY2018.

Acuité believes that the working capital requirements will continue to remain intensive over the medium term on account of the high inventory period.

### **Liquidity position: Adequate**

The firm has adequate liquidity, marked by adequate net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs.5.31 crore for FY2020 (Prov) with debt repayment obligation of Rs.0.97 crore for the same period. The company's working capital operations are intensive, marked by 173 Gross Current Asset (GCA) days for FY2020 (Prov). The average bank limit utilization for the past six months ended August 2020 stood at ~47.46 percent. The firm maintains unencumbered cash and bank balances of Rs.10.02 crore as on 31 March 2020(Prov). The current ratio stood at 1.63 times as on 31 March 2020(Prov). Acuité believes that the liquidity of the company is likely to remain adequate on account of adequate cash accrual against debt repayments over the medium term.

### **Rating Sensitivities:**

Not Applicable

### **Material Covenants**

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>

### **About the Rated Entity - Key Financials**

	Unit	FY20(Provisional)	FY19(Actual)
Operating Income	Rs. Cr.	56.61	64.74
PAT	Rs. Cr.	3.49	1.53
PAT Margin	(%)	6.17	2.36
Total Debt/Tangible Net Worth	Times	1.05	0.97
PBDIT/Interest	Times	5.10	2.85

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

Not Applicable

### **Any other information**

None

### **Rating History (Up to last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
27-Dec-2019	Cash Credit	Long Term	13.00	ACUITE BB+/Stable (Assigned)
	Term Loan	Long Term	5.50	ACUITE BB+/Stable (Assigned)

\*Bank guarantee includes sublimit of Letter of Credit to the extent of Rs.5.00 crore

### #Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings
Cash Credit	Not Applicable	Not Applicable	Not Applicable	13.00	ACUITE BB+ (Withdrawn)
Term Loan	Not Available	Not Applicable	Not Available	5.50	ACUITE BB+ (Withdrawn)

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### About Acuité Ratings & Research:

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