

Press Release

Excel Pack Private Limited

July 29, 2022



Rating Assigned and Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	18.00	ACUITE BB- Stable Downgraded	-
Bank Loan Ratings	2.00	ACUITE BB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	20.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has downgraded the long-term rating to '**ACUITE BB-**' (read as **ACUITE double B minus**) from '**ACUITE BB**' (read as **ACUITE double B**) on the Rs.18.00 crore bank facilities of Excel Pack Private Limited (EPPL). The outlook is '**Stable**'.

Acuite has assigned the long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) on the Rs.2.00 crore bank facilities of Excel Pack Private Limited (EPPL). The outlook is '**Stable**'.

Rationale for downgrade

The rating has been downgraded on account of significant exposure of the company in its subsidiary and the investment done in unrelated assets. Further the company has on boarded Rs. 18.80 Cr of loan for the purchase of the unrelated asset which increases the exposure of the company and constraints its financial risk profile.

About the Company

Incorporated in the year 1999, EPPL is a Delhi based company. The MD of the company- Mr. Rajnish Mehra has been associated with the company since its inception and has an experience of more than two decades in the industry. The company is engaged in the manufacturing of various types of cap liners, i.e. induction heat seals cap liners and EP cap liner. It is also engaged in the production of flexible laminates. The company has its manufacturing unit located at Haridwar, Uttarakhand. EPPL has a wholly owned subsidiary company- Amar Real Build Private Limited (ARBPL) which was incorporated in the year 2011. ARBPL is engaged in the real estate business and the company owns a property at Greater Kailash, New Delhi. The property owned is given on lease basis and the company is earning a rental income of Rs.0.60Cr per annum.

Analytical Approach

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

Key Rating Drivers

Strengths

Established track record of operations and experienced management

EPPL was incorporated in the year 1999. The Managing Director of the company Mr. Rajnish Mehra has been associated with the company since its inception and has an experience of more than two decades in the aforementioned industry and is ably assisted by an experienced second line of management. The extensive experience of the directors has helped the company to maintain a healthy relationship with its customers and suppliers. The company also exports the products to countries like Turkey, Saudi Arabia and UAE, to name a few.

Moderate financial risk profile

The financial risk profile of the company is moderate marked by moderate net worth, gearing and average debt protection metrics. Total tangible net worth of the company stood at Rs. 50.11 Cr as on 31st March 2022 as against Rs. 45.61 Cr in the previous year. Debt to Equity ratio has improved to 1.19 times in FY 2022 as against 1.37 times in FY 2021. Total debt of Rs. 59.78 Cr consists of Rs. 26.85 Cr of long term debt, Rs. 4.91 Cr of unsecured loans, Rs. 20.87 Cr of working capital borrowings and Rs. 7.16 Cr of CPLTD. Interest coverage Ratio remained moderate at 3.32 times in FY 2022 as against 4.71 times in FY 2021 while DSCR has moderated to 1.05 times in FY 2022 as against 1.39 times in FY 2021. NCA/TD improved from 0.12 times in FY 2020 to 0.14 times in FY 2021 and stood at 0.15 times in FY 2022. Going forward the team believes that the financial risk profile will remain moderate in the coming times.

Weaknesses

Working capital intensive nature of operations

The company's operations are working capital intensive marked by GCA days of 118 in FY 2022. GCA days have moderated in FY 2022 which in FY 2021 stood at 135 days. The decline in GCA days was result of decline in inventory holding period. Inventory holding period has declined from 58 days in FY 2020 to 46 days in FY 2021 and further dropped down to 40 days in FY 2022. However the debtor realization period has fluctuated from 85 days in FY 2020 to 67 days in FY 2021 and then stood at 75 days in FY 2022. The company normally gives 30-70 days of credit period to its customers. Creditor days have gone down from 52 days in FY 2021 to 35 days in FY 2022. As a result the average bank limit utilization between April 2021 to March 2022 stood at 94.93%.

Significant exposure in the form of investment in its subsidiary company and unrelated asset

The financial risk profile is expected to be constrained by significant exposure to its subsidiary company. As on March 31, 2022, the investment in its subsidiary company stood at Rs.16.14 crore. The company has further done investment in an unrelated asset of Rs. 27.02 Cr. The total exposure to its subsidiary company and the investment in unrelated asset stood at 86.11 percentage of the total tangible net worth. Since the unwinding of these exposures is uncertain, the adjusted net worth is Rs. 6.96 crore as on March 31, 2022. Acuité believes that the credit profile of EPPL will depend on its ability to curtail this exposure.

Rating Sensitivities

- Significant improvement in operating performance.
- Exposure on the books of company related to investment in subsidiary and unrelated asset.

Material covenants

None.

Liquidity Position Stretched

Company's liquidity is stretched marked by its net cash accruals vs its maturing debt

obligations. The company has generated cash accrual of Rs. 8.79 Cr in FY 2022 against CPLTD of Rs. 7.16 Cr in the same period. Going forward the company is expected to generate net cash accruals of Rs. 11.51 Cr and Rs. 13.17 Cr against CPLTD of Rs. 5.95 Cr and Rs. 4.48 Cr in each respective years. Average bank limit utilization between April 2021 to March 2022 remained high and stood at 94.93%. Investments of Rs. 16.14 Cr in FY 2022 is in the equity instruments of the subsidiary i.e. Amar Realbuild Private Limited. The cash and bank position for FY 2022 stood at Rs. 0.38 Cr while current ratio for the period stood at 0.89 times.

Outlook: Stable

Acuité believes that EPPL will maintain a stable outlook over the medium term backed by its experienced management and established track record of operation in the aforementioned industry. The outlook may be revised to 'Positive', if the company demonstrates substantial and sustained growth in its revenues and operating margins from the current levels while maintaining its capital structure. Conversely, the outlook may be revised to 'Negative', if the company generates lower-than anticipated cash accruals, most likely as a result of a sharp decline in operating margins thereby impacting its business risk profile, particularly its liquidity.

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	113.54	102.30
PAT	Rs. Cr.	4.80	6.13
PAT Margin	(%)	4.23	5.99
Total Debt/Tangible Net Worth	Times	1.19	1.37
PBDIT/Interest	Times	3.32	4.71

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

CRISIL vide its press release dated 11 May 2022, has mentioned the rating of EPPL as '[CRISIL]B/Stable/A4' Issuer Not Cooperating as on 11 May 2022.

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector - <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 Oct 2020	Cash Credit	Long Term	17.00	ACUITE BB Stable (Assigned)
	Proposed Bank Facility	Short Term	1.00	ACUITE A4+ (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	18.00	ACUITE BB- Stable Downgraded
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB- Stable 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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