

Press Release

S D International Private Limited

March 22, 2021

Rating Assigned



Total Bank Facilities Rated*	Rs. 28.00 Cr.
Long Term Rating	ACUITE BBB-/Stable (Assigned)
Short Term Rating	ACUITE A3 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 28.00 Crore bank facilities of S D International Private Limited. The outlook is '**Stable**'.

Rationale for Rating Assigned

The rating assigned derives the significant improvement in profitability, healthy financial risk profile and strong interest coverage ratio. The revenue of the company has improved from Rs.64.49 Crore in FY2019 to Rs.72.08 Crore in FY2020. The performance has also improved in the current financial year even during the current COVID-19 period as the company have achieved a gross revenue of Rs.55 Crore as on 31st December, 2020. This was mainly due to an increase in demand for the products offered by the company. The EBITDA Margins have significantly improved to 13.20 percent for FY2020 as against 11.54 percent in FY2019. The PAT margin improved to 5.39 percent in FY2020 from 4.76 percent in FY2019. This is mainly due reduction in raw material cost. The interest coverage ratio (ICR) stood strong at 3.81 times in FY2020 as against 3.35 times in FY2019. NCA/TD (Net Cash Accruals to Total Debt) ratio improved to 0.25 times in FY2020 as against 0.16 times in FY2019.

About the Company

Incorporated in 2008 by Mr. Vinay Agarwal- S. D. International Private Limited (SDIPL) is an Uttar Pradesh based company engaged in manufacturing of disposable cups and food packaging containers at its facility in Gorakhpur, Uttar Pradesh. SDIPL currently has two units in Gorakhpur Uttar Pradesh. SDIPL currently has two units in Gorakhpur which are located adjacent to each other with total installed capacity of ~650 MT per month. There is a capacity expansion plan which is under progress that will eventually improve the total capacity to ~900 MT per month from ~650 MT per month.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experience management and healthy financial risk profile

The promoters of the company have long experience in plastic packaging goods industry. Company's main promoter are Mr. Vinay Agarwal and Mrs. Sharda Devi. Mr. Vinay Agarwal is the managing director and has vast experience in the plastic packaging goods industry. He is ably supported by other key managerial personnel who are professionally running the company.

Company's financial risk profile remained healthy average marked by moderate net worth, gearing and strong debt protection metrics. The net worth of the company stood at Rs.17.75 Crore as on 31 March 2020 as against Rs.13.86 Crore as on 31 March 2019. The gearing level (debt-equity) stood at 1.34 times as on 31 March 2020 as against 1.97 times as on 31 March 2019. The total debt of Rs.23.76 Crore as on 31 March 2020 consists of secured loan of Rs.14.75 Crore, unsecured loan of Rs.2.62 Crore and working capital borrowings of Rs.6.39 Crore. The interest coverage ratio (ICR) stood high at 3.81 times in FY2020 as against 3.35 times in

FY2019. NCA/TD (Net Cash Accruals to Total Debt) ratio stood high at 0.25 times in FY2020 as against 0.16 times in FY2019.

Acuite believes that the company will continue to benefit from its experienced management and healthy financial risk profile on account of moderate net worth and strong debt protection metrics.

• Comfortable working capital operation cycle

The working capital management of the company is comfortable in FY2020 marked by Gross Current Assets (GCA) of 106 days in FY2020 as against 116 days in FY2019. The inventory and debtor levels stood at 43 days and 60 days in FY2020 as against 47 and 63 days in FY2019, respectively. The creditor days stood at 16 days in FY2020 as against 15 days in FY2019. As a result, the average utilization of bank limits stood low at ~59 per cent in the last six months ending December 2020.

Acuite believes that the working capital requirements will continue to remain comfortable over the medium term on account of low inventory and debtor days.

Weaknesses

• Highly competitive and fragmented industry

The Indian packaging industry is highly fragmented on account of the low capital intensity, low entry barriers and easy availability of raw materials. High competition put pressure on margins, thereby reducing bargaining powers with customers for players such as SDIPL. Further, raw material used in packaging is plastic granules the prices of which are fluctuating having direct impact on operating margins. Acuite believes that the ability of the company to pass on such adverse impact to its customers remain a key sensitivity factor.

Rating sensitivity

- Significant improvement in operating income and profitability
- Ongoing capital expenditure of Rs.10.00 Crore for capacity enhancement and technology upgradation.

Material Covenant

None

Liquidity position: Strong

The Company has strong liquidity marked by high net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.5.92 Crore in FY2020 as against CPLTD of Rs.1.33 Crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.7.00 Crore to Rs.9.50 Crore during FY2021-23 against CPLTD of ~Rs.4.00 Crore each year for the same period. Company's working capital operations are comfortable marked by Gross Current Asset (GCA) days of 106 days in FY2020. As a result, the average utilization of bank limits stood low at ~59 per cent in the last six months ending December 2020. Company maintains unencumbered cash and bank balances of Rs.0.18 Crore as on 31 March 2020. The current ratio stands at 1.66 times as on 31 March 2020.

Outlook: Stable

Acuite believes SDIPL will maintain a stable business risk profile in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability, or in case of deterioration in the company's financial risk profile or higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	72.08	64.49
PAT	Rs. Cr.	3.89	3.07
PAT Margin	(%)	5.39	4.76
Total Debt/Tangible Net Worth	Times	1.34	1.97
PBDIT/Interest	Times	3.81	3.35

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-59.htm>
- 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 (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	4.00	ACUITE BBB-/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB-/Stable (Assigned)
Term Loan	March-2018	10.00%	March-2025	11.65	ACUITE BBB-/Stable (Assigned)
Term Loan	May-2020	7.80%	March-2023	0.87	ACUITE BBB-/Stable (Assigned)
Term Loan	Not Available	7.50%	Not Available	3.50	ACUITE BBB-/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.38	ACUITE A3 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.59	ACUITE A3 (Assigned)
Proposed fund based facility	Not Applicable	Not Applicable	Not Applicable	0.01	ACUITE BBB-/Stable (Assigned)

Contacts

Analytical	Rating Desk
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About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

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