

Press Release

S D International Private Limited

April 25, 2022



Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	2.97	-	ACUITE A3+ Upgraded
Bank Loan Ratings	25.03	ACUITE BBB Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	28.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded the long-term rating to **"ACUITE BBB"** (read as **ACUITE Triple B**) from **"ACUITE BBB-"** (read as **ACUITE Triple B Minus**) and the short term rating to **"ACUITE A3+"** (read as **ACUITE A Three Plus**) from **"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 Upgrade

The rating has been upgraded on account of continuous improvement in revenue, profitability metrics and coverage indicators. The revenue of the company has increased year on year from Rs. 64.49 Cr in FY 2019 to Rs. 79.41 Cr in FY 2021 and as per the estimates given for March 2022 the revenue has exceeded past levels and has reached Rs. 127.81 Cr on the back of continuous and improved demand. Similarly profitability margins have also improved and Acuite expects them to improve further in the near term.

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. The two units in Gorakhpur which are located adjacent to each other have total installed capacity of 9600 MT per annum.

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced management

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.

Moderate Financial Risk Profile

Company's financial risk profile remains moderate marked by low Net worth, moderate gearing and strong coverage indicators. The net worth of the company stood at Rs. 24.41 Cr as on March 2021 as against Rs. 17.75 Cr in FY 2020. The debt to Equity ratio improved to 1.07 times in FY 2021 as against 1.34 times in FY 2020. The total debt of Rs. 26.04 Cr consists of long term secured debt of Rs. 13.19 Cr, Rs. 5.60 Cr of unsecured loan which contains Rs. 4.29 Cr of interest free loan from Uttar Pradesh Financial Corporation which is payable after 7 years of on boarding, Rs. 4.99 Cr of working capital borrowings and Rs. 2.27 Cr of CPLTD. The interest coverage ratio improved to 5.92 times in FY 2021 as against 3.81 times in FY 2020 and NCA/TD improved to 0.34 times in FY 2021 from 0.25 times in FY 2020 on account of increase in net cash accruals due to improvement in profitability.

Improvement in Revenue and Profitability

The company's operating revenue is on an uptrend since FY 2019 wherein the revenue has increased from Rs. 64.49 Cr in FY 2019 to Rs. 79.41 Cr in FY 2021 and has reached Rs. 127.81 Cr as per the estimated figures provided for FY 2022. Due to the nature of the business, Covid – 19 pandemic had a positive impact on the performance of the company. Since the company manufactures disposable cups and food packaging containers, the demand for which increased ten folds in lockdown period, in turn demand for packaging containers were high and hence the performance of the company improved. Profitability margins have also improved year on year since FY 2019. EBITDA margin has improved from 11.54% in FY 2019 to 16.53% in FY 2021. As per the YTD estimates provided the EBITDA margin has further improved to 17.15% for the current year. Similarly PAT margins have improved from 4.76% in FY 2019 to 8.39% in FY 2021 and has reached 9.9% as per the estimated YTD figures.

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. Acuité believes that the ability of the company to pass on such adverse impact to its customers remain a key sensitivity factor.

Rating Sensitivities

- Significant improvement in operating income and profitability.
- Stabilization of the capacity enhancement undertaken.

Material covenants

None.

Liquidity Position: Adequate

The Company has adequate liquidity marked by high net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 8.75 Crore in FY 2021 as against CPLTD of Rs. 2.27 Crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs. 15.54 Crore to Rs. 21.12 Crore during FY 2022-23 against CPLTD of Rs. 5.39 Crore and 5.21 Crore each year for the respective period. Average bank utilization between July 2021 and March 2022 stood at 69.36% and the company is maintaining cash and bank balance of Rs. 1.47 Cr as per the YTD estimated given for FY 2022.

Outlook: Stable

Acuité 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.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	79.41	72.08
PAT	Rs. Cr.	6.66	3.89
PAT Margin	(%)	8.39	5.39
Total Debt/Tangible Net Worth	Times	1.07	1.34
PBDIT/Interest	Times	5.92	3.81

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

Not Applicable.

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
22 Mar 2021	Bank Guarantee	Short Term	2.38	ACUITE A3 (Assigned)
	Proposed Bank Facility	Long Term	0.01	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	4.00	ACUITE BBB- Stable (Assigned)
	Bank Guarantee	Short Term	0.59	ACUITE A3 (Assigned)
	Term Loan	Long Term	3.50	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	11.65	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	0.87	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	0.59	ACUITE A3+ Upgraded
Indian Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	2.38	ACUITE A3+ Upgraded
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BBB Stable Upgraded
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB Stable Upgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.01	ACUITE BBB Stable Upgraded
Indian Bank	Not Applicable	Term Loan	Not available	7.50	Not available	3.50	ACUITE BBB Stable Upgraded
Indian Bank	Not Applicable	Term Loan	31-03-2018	10.00	31-03-2025	11.65	ACUITE BBB Stable Upgraded
Indian Bank	Not Applicable	Term Loan	31-05-2020	7.80	31-05-2023	0.87	ACUITE BBB Stable Upgraded

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About Acuité Ratings & Research

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