



Press Release
S D INTERNATIONAL PRIVATE LIMITED
June 16, 2023
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	30.17	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	25.03	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	1.83	-	ACUITE A3+ Assigned
Bank Loan Ratings	2.97	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	60.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of **Acuite BBB (read as Acuite Triple B)** and the short-term rating of **Acuite A3+ (read as Acuite A Three Plus)** on the Rs. 28.00 crore bank facilities and assigned the long-term rating of **Acuite BBB (read as Acuite Triple B)** and the short-term rating of **Acuite A3+ (read as Acuite A Three Plus)** to the Rs. 32.00 crore bank facilities of **S D International Private Limited**. The outlook is 'stable'.

Rationale for the rating

Acuite has taken into account the improvement in operating revenue, comfortable coverage indicators, and the long experience of the promoters in the plastic packaging goods industry. The revenue of the company has increased year on year from Rs. 125.98 crore in FY 2022 to Rs. 156.55 crore in FY 2023 (provisional). Although the operating income has increased, the operating profit margin of the company has declined year on year to 13.20% in FY 23 (provisional) as compared to 14.21% in FY 22 and 16.53% in FY 21. The company has dealers spread across India and has long-standing relationships with reputed customers such as Haldiram's, Amul, Bikanerwala Foods Pvt. Ltd., Domino's, RSPL Group (Ghari Detergent), Bikaji, etc. The company is currently in expansion mode, wherein it is increasing its capacity by 6500 MT with a total capital outlay of Rs. 45 crore. The rating is underpinned by the susceptibility of margins to volatility in raw material prices, as can be seen by the constant dip in EBITDA in the past three years, major debt-funded capex affecting the financial risk profile in the upcoming year, and strong competition from existing market players.

About the Company

Incorporated in 2008 by Mr. Vinay Agarwal, S. D. International Private Limited (SDIPL) is an Uttar Pradesh-based company engaged in the 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 a total installed capacity of 12000 MT per annum.

Analytical Approach

Acuité 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 the plastic packaging goods industry. The company's main promoters 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.

Improved scale of operations

The company has achieved revenue of Rs. 156.55 crore in FY 2023 (provisional) as against Rs. 125.98 crore in FY 2022. The company's operating revenue has been on an upward trend since FY 2019, when the revenue increased from Rs. 64.49 crores to Rs. 125.98 crores in FY 22. To cater to the increasing demand, SDIPL currently has two units in Gorakhpur, which are located adjacent to each other and have a total installed capacity of 1000 MT per month or 12000 MTPA and are under capacity expansion.

Reputed Clientele

Since the company manufactures disposable cups and food packaging containers, demand for which increased tenfold in the lockdown period, demand for packaging containers was high, and hence the performance of the company improved. The company has dealers spread across India. It also has some reputed customers like Haldiram's, Amul, Bikanerwala Foods Pvt. Ltd., Domino's, RSPL Group (Ghari Detergent), Bikaji, etc.

Weaknesses

highly competitive and fragmented industry

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

Decline in operating margins

The operating income of the company has improved as compared to last year. Although EBITDA has increased, EBITDA margins have seen a dip in the past three years. The decline in EBITDA margins is primarily due to the increase in the price of plastic (PP granules), which the company was not able to pass on completely.

Impact of Capex on Financial Risk Profile

The company is currently in expansion mode, where a capacity expansion is in progress from its current capacity of 12000 MTPA to 19500 MTPA. The total project cost is Rs 45 crore, which will be funded from promoter contributions and internal accruals of Rs 14 crore, and the rest will be funded from a bank loan of Rs 31 crore from HDFC Bank. The same will result in a moderation of the financial risk profile of the company, impacting the debt and coverage indicators as compared to the current year's.

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. 15.16 crore in FY 2023, as against a CPLTD of Rs. 4.26 crore for the same period. The company is maintaining a cash and bank balance of Rs. 4.24 crore as per the provisional budget for FY 2023. The fund-based limits, being a cash credit of Rs. 12 crore, are 48.22% for the last 7 months ending March 23. The team believes that going forward, the working capital cycle will remain moderate in the medium term.

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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	156.55	125.98
PAT	Rs. Cr.	12.48	9.87
PAT Margin	(%)	7.97	7.84
Total Debt/Tangible Net Worth	Times	0.53	0.69
PBDIT/Interest	Times	14.43	10.63

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>
- Trading Entity: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
25 Apr 2022	Term Loan	Long Term	0.87	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	5.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	4.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	11.65	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Bank Guarantee	Short Term	2.38	ACUITE A3+ (Upgraded from ACUITE A3)
	Term Loan	Long Term	3.50	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Bank Guarantee	Short Term	0.59	ACUITE A3+ (Upgraded from ACUITE A3)
	Proposed Bank Facility	Long Term	0.01	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
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	Complexity Level	Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	2.97	ACUITE A3+ Reaffirmed
Indian Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	0.83	ACUITE A3+ Assigned
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.00	ACUITE BBB Stable Assigned
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE A3+ Assigned
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	0.10	ACUITE BBB Stable Assigned
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	25.03	ACUITE BBB Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	5.97	ACUITE BBB Stable Assigned
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	8.40	ACUITE BBB Stable Assigned
HDFC Bank Ltd	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	3.70	ACUITE BBB 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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