



Press Release
S D International Private Limited
July 31, 2024
Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	36.25	ACUITE BBB+ Stable Assigned	-
Bank Loan Ratings	55.10	ACUITE BBB+ Stable Upgraded	-
Bank Loan Ratings	4.90	-	ACUITE A2 Upgraded
Total Outstanding Quantum (Rs. Cr)	96.25	-	-

Rating Rationale

Acuite has upgraded long-term rating at '**ACUITE BBB+**' (read as **ACUITE Triple B plus**) from '**ACUITE BBB**' (read as **ACUITE Triple B**) and the short term rating at '**ACUITE A2**' (read as **ACUITE A Two**) from '**ACUITE A3+**' (read as **ACUITE A Three Plus**) on the Rs. 60.00 Cr. bank facilities of S D International Private Limited. The outlook is '**Stable**'. Further Acuite has assigned the long-term rating of '**ACUITE BBB+**' (read as **ACUITE Triple B plus**) on the Rs. 36.25 Cr. bank facilities of S D International Private Limited. The outlook is '**Stable**'.

Rationale for rating

The rating factors the improvement in the company's scale of operations, profitability position, coverage indicators and adequate liquidity position. The operating income improved and stood at Rs.170.31 Cr. in FY2024 (Prov.) as against Rs.155.95 Cr. in FY2023. Further the EBITDA and PAT margin of the company improved and stood at 16.77 per cent and 10.69 per cent respectively in FY2024 (Prov.) resulting into, improved coverage indicators reflected by interest coverage ratio and debt service coverage ratio which stood at 13.72 times and 4.44 times respectively as on 31st March 2024 (Prov.). The better profitability and scale of operation resulted into adequate liquidity position marked by adequate cash accruals to its maturing debt obligations. The recommended rating also positively factors in the experienced management in the plastic packaging industry as well as regular business with reputed clientele like Haldiram's, Amul, Bikanerwala Foods Private Ltd, RSPL Group (Ghari Detergent), etc. However the aforesaid strength is partly offset by the financial risk profile of the company which albeit decline remained moderate marked by gearing which stood at 1.18 times as on 31st March 2024 (Prov.) on account of additional debt taken for the past and upcoming CAPEX. The rating also factors the highly fragmented and competitive nature of the industry along with inherent risk of raw material price fluctuation.

About the Company

Incorporated in 2008, 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 19000 MT per annum. The company is managed by Mrs. Sharda Devi and Mr. Vinay Agarwal.

Unsupported Rating

Not Applicable

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.

Reputed Clientele

The disposable cups and food packaging containers are mostly used in restaurants/ take away counters. The product portfolio includes disposable cups, containers and bowls, glasses, octagonal container, rectangular boxes, biscuit tray etc. The company has more than 200 dealers spread across India. It also has some reputed customers like Haldiram's, Amul, Bikanervala Foods Pvt. Ltd, RSPLGroup (Ghari Detergent), Bikaji etc.

Improved scale of operations coupled with improved profitability

The company witnessed upward trend in scale of operations, reporting operating revenue of Rs.170.31 Cr. in FY 2024 (Prov.) as against Rs.155.95 Cr. in FY 2023. Operating margin of the company has increased in FY 2024 (Prov.) to 16.77% from 13.46% in FY 2023. PAT margin too has increased from 7.41% in FY 2023 to 10.69% in FY 2024 (Prov.). Further, the company has enhanced its production capacity from 12500 MT to 19000 MT and is focusing on production of plastic packaging containers through injection molding alongside thermoform molding thereby helping to make customized containers to meet the rising demand and maintain the balance with the reputed clientele like Haldiram's, Amul, Bikanervala Foods Private Limited, RSPLGroup (Ghari Detergent), 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.

Impact of Capex on Financial Risk Profile

The company is currently under expansion mode wherein they are undergoing capex for production of plastic packaging containers through injection molding which will help to make customized containers for clientele like Haldiram's, Amul, RSPLGroup (Ghari Detergent), Bikaji etc. The total project cost is ~ Rs.21 Cr. which will be funded from promoter contribution / internal accruals of Rs.5.25 Cr. and rest will be funded from bank loan of Rs.15.75 Cr. Amount utilized till date is Rs.3.68 Cr. from promoters' contribution/ internal accruals and is given as margin money to machinery suppliers. The said expansion is expected to be completed in Q3 FY25 and commercial operation is expected to be from October'24. The same will result in moderation in the financial risk profile of the company in coming years, impacting the debt and coverage indicators in comparison to FY24 (Prov.). However, as expected going forward the gearing and coverage indicators of the company may improve benefited by association with reputed clientele like Haldiram's, Amul, RSPLGroup (Ghari Detergent), Bikaji etc., hence it will be easy for them to tap new customers alongside the existing customers in the same line of business leading to improvement in financial profile of the company in near to medium term.

Rating Sensitivities

- Significant improvement in operating income while sustaining the profitability margins
- Stabilization of the capacity enhancement undertaken.
- Timely execution of undergoing capex project of plastic packaging containers through injection molding by October'24 as per the scheduled plan.

Liquidity Position **Adequate**

The liquidity profile of the company is adequate marked by adequate cash accruals to its maturing debt obligations. The company has generated net cash accruals of Rs.21.69 Cr. as on 31st March 2024 (Prov.) against the debt repayment obligation of Rs.3.19 Cr. over the same period. Going forward, the firm is expected to generate net cash accruals under the range of Rs.30 Cr. to Rs.35 Cr. against the debt repayment obligations of Rs. 12 to Rs.16 Cr. over the same period. The current ratio of the company stood at 1.48 times as on 31st March 2024(Prov.) against 2.29 times as on 31st March 2023. Further, the cash and bank balance available with the company stood at Rs.2.21 Cr. as on 31st March 2024 (Prov.). Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals.

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' or Downgraded in case the company registers lower-than-expected growth in revenues and profitability, or in case of delay in the execution of undergoing capex project of plastic packaging containers through injection molding by October'24 as per the scheduled plan leading to 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 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	170.31	155.95
PAT	Rs. Cr.	18.20	11.56
PAT Margin	(%)	10.69	7.41
Total Debt/Tangible Net Worth	Times	1.18	0.54
PBDIT/Interest	Times	13.72	12.93

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>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.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
16 Jun 2023	Bank Guarantee (BLR)	Short Term	2.97	ACUITE A3+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	0.83	ACUITE A3+ (Assigned)
	Letter of Credit	Short Term	1.00	ACUITE A3+ (Assigned)
	Term Loan	Long Term	25.03	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	5.97	ACUITE BBB Stable (Assigned)
	Working Capital Demand Loan (WC DL)	Long Term	3.70	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	8.40	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	12.00	ACUITE BBB Stable (Assigned)
	Proposed Long Term Loan	Long Term	0.10	ACUITE BBB Stable (Assigned)
25 Apr 2022	Bank Guarantee (BLR)	Short Term	0.59	ACUITE A3+ (Upgraded from ACUITE A3)
	Bank Guarantee (BLR)	Short Term	2.38	ACUITE A3+ (Upgraded from ACUITE A3)
	Term Loan	Long Term	3.50	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Proposed Long Term Bank Facility	Long Term	0.01	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	4.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	5.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	11.65	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	0.87	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
22 Mar 2021	Cash Credit	Long Term	4.00	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE BBB- Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	0.01	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	11.65	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	0.87	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	3.50	ACUITE BBB- Stable (Assigned)
	Bank Guarantee (BLR)	Short Term	2.38	ACUITE A3 (Assigned)
	Bank Guarantee (BLR)	Short Term	0.59	ACUITE A3 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.02	ACUITE A2 Upgraded (from ACUITE A3+)
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.88	ACUITE A2 Upgraded (from ACUITE A3+)
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	16.00	ACUITE BBB+ Stable Upgraded (from ACUITE BBB)
HDFC Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	ACUITE A2 Upgraded (from ACUITE A3+)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.96	ACUITE BBB+ Stable Upgraded (from ACUITE BBB)
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	07 Jun 2027	Simple	1.30	ACUITE BBB+ Stable Upgraded (from ACUITE BBB)
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	07 Feb 2029	Simple	3.43	ACUITE BBB+ Stable Upgraded (from ACUITE BBB)
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	07 Feb 2029	Simple	25.03	ACUITE BBB+ Stable Upgraded (from ACUITE BBB)

HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	07 Mar 2026	Simple	4.05	ACUITE BBB+ Stable Upgraded (from ACUITE BBB)
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	07 Jul 2029	Simple	1.75	ACUITE BBB+ Stable Upgraded (from ACUITE BBB)
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	07 Jul 2029	Simple	36.25	ACUITE BBB+ Stable Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.58	ACUITE BBB+ Stable Upgraded (from ACUITE BBB)

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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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