

Press Release

Packtech Materials Private Limited

August 24, 2022

Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	14.00	ACUITE B Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	14.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITÉ B**' (read as **ACUITE B**) to the Rs 14.00 Cr. bank facilities of Packtech Materials Private Limited (PMPL). The outlook is '**Stable**'.

Rationale for Rating Assigned

The rating assigned reflects PMPL's experienced management and long operational track record of the firm along with longstanding relationship with reputed clients namely Sonal Adhesives Ltd, Big Impex, Quiosco Retail India Pvt Ltd, among others. However, the rating remains constrained by the working capital intensive nature of operations, high gearing and weak financial risk profile. Further, the liquidity position of the company remain stretched with average bank limit utilization of ~100 percent for 12 months ended March 2022.

About the Company

Packtech Materials Private Limited is a Private incorporated on 08 March 2010. The company has its registered office in Navi Mumbai. They are renowned manufacturer and exporter of packing materials - premium quality Self Adhesive Tape, PP Corrugated Boxes, Paper tube core, EPE Foam fitment, Sublimation Paper, Inkjet Paper / Film, AIR Bubble, Stretch film and other packaging materials. The Directors of Packtech Materials Private Limited are Mr Chirag Pradip Mehta, Ms Urvashi Chirag Mehta, Ms Snehlata Pradip Mehta and Mr Pradip Popatlal Mehta.

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of PMPL to arrive at the rating.

Key Rating Drivers

Strengths

> Track record and experienced management in the packaging industry

Packtech Materials Private Limited incorporated in 2010 undertakes the Manufacturing of Rubber and Plastic Products. The Directors of Packtech Materials Private Limited are Mr Chirag Pradip Mehta, Ms Urvashi Chirag Mehta, Ms Snehlata Pradip Mehta and Mr Pradip

Popatlal Mehta who have an experience of over one decade in this business. The company also has longstanding relationship with reputed clients namely Sonal Adhesives Ltd, Big Impex, Quiosco Retail India Pvt Ltd, among others. The experience of directors is also reflected through a growth in revenue of Rs 32.85 Crores in FY 2022 (Prov) as against Rs 15.09 Crores in FY 2021. The company is focusing more on Make in India products as the paper products are cheaper in India than China after covid-19. The company also introduced new products viz. lashing belt, honeycomb packaging and PP products. However, the company has already achieved Rs.10 crores in Q1 FY2022-23.

Acuité believes that the company is expected to continue to benefit from the directors established presence in the industry and its improving business risk profile over the medium term.

Weaknesses

>Intensive working capital operations

The working capital management of the company is intensive marked by GCA days of 163 days in FY2022 (Prov) as against 344 days in FY2021 and 300 days in FY2020. Also, the debtor days stood at 84 days in FY2022 (Prov) as against 174 days in FY2021 and 163 days in FY2020. The reason for high debtors in FY21 and FY20 is because there were delay in payments from the customers due to covid-19. However, with the incorporation of Receivable Management Agency, the company is expecting a decrease in collection period. However, the average credit period allowed to customers is around 45-60 days. The creditor days stood at 31 days in FY2022 (Prov) as against 90 days in FY2021 and 112 days in FY2020. The average period allowed by suppliers is around 30 days. However, the inventory days remain around 49 days in FY 2022 (Prov) as against 97 days in FY 2021 and 56 days in FY2020. The average time takes for procurement of raw material is 15 days and further the manufacturing process takes another 20 days.

Acuité expects the working capital management to remain intensive over the medium term considering the nature of business and terms allowed to customers

>Weak financial risk profile

The financial risk profile of the company stood weak marked by low net worth, high gearing, and moderate debt protection metrics. The tangible net worth stood at Rs.1.92 crore as on 31 March, 2022 (Prov) as against Rs.0.73 crore as on 31 March, 2021 and Rs.1.56 crore as on 31 March, 2020. The total debt of the company stood at Rs.13.03 crore includes Rs.3.72 crore of long-term debt, Rs.7.33 crore of short term debt, Rs.0.46 crore of unsecured loans and Rs.1.51 crores of CPLTD as on 31 March, 2022 (Prov). The gearing (debt-equity) stood at 6.80 times as on 31 March, 2022 (Prov) as compared to 18.65 times as on 31 March, 2021 and 7.89 times as on 31 March, 2020. Interest Coverage Ratio stood at 1.90 times for FY2022 (Prov) as against 0.50 times for FY2021 and 1.32 times for FY2020. Debt Service Coverage Ratio (DSCR) stood at 0.92 times in FY2022 (Prov) as against 0.38 times in FY2021 and 1.00 times in FY2020. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 8.26 times as on 31 March, 2022 as against 23.08 times on 31 March, 2021 and 11.18 times on 31 March, 2020. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.11 times for FY2022 (Prov).

Acuité believes that the financial risk profile of the PMPL is likely to improve over the medium term.

Rating Sensitivities

- Elongation in working capital cycle leading to higher reliance on working capital limits.
- Deterioration in debt protection metrics and liquidity profile.
- Substantial improvement in scale of operation while maintaining profitability margins.

Material covenants

None.

Liquidity Position: Stretched

The company's liquidity position is stretched as the average bank limit utilization for the past 12 months March 2022 is ~ 100 percent. Further, they have insufficient net cash accruals against its maturing debt obligations from FY2020-2022. However, going ahead it is expected

that the company generates sufficient net cash accruals in the range of Rs.3.19-Rs.5.13 Crore from FY 2023- 2024 against its maturing debt obligations in the range of Rs.0.97-Rs.1.08 crore in the same tenure. The working capital management of the company is intensive marked by GCA days of 163 days in FY2022 (Prov) as against 344 days in FY2021. The company maintains unencumbered cash and bank balances of Rs.0.05 crore as on March 31, 2022 (Prov). The current ratio stands at 1.26 times as on March 31, 2022 (Prov).

Acuite believes that the liquidity of the company is likely to improve over the medium term on account of sufficient net cash accruals.

Outlook: Stable

Acuite believes that PMPL will continue to maintain a 'Stable' outlook over the medium term owing to its experienced and technically qualified management. The outlook may be revised to 'Positive' if the company reports significant improvement in revenue and scale of operations while maintaining operating profitability, leading to higher cash accruals. Conversely, the outlook may be revised to 'Negative' if the company registers decline in revenue and profitability leading to lower than expected cash accruals or deterioration in the financial risk profile or higher than expected working capital borrowings.

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	32.85	15.09
PAT	Rs. Cr.	1.19	(0.84)
PAT Margin	(%)	3.63	(5.54)
Total Debt/Tangible Net Worth	Times	6.80	18.65
PBDIT/Interest	Times	1.90	0.50

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>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Abhyudaya Cooperative Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE B Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE B Stable Assigned
Abhyudaya Cooperative Bank	Not Applicable	Term Loan	Not available	Not available	Not available	4.00	ACUITE B 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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