

Press Release

Pep Cee Pack Industries

January 02, 2023



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	23.00	ACUITE BB+ Stable Assigned	-
Bank Loan Ratings	12.00	-	ACUITE A4+ Assigned
Total Outstanding Quantum (Rs. Cr)	35.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating at '**ACUITE BB+**' (read as **ACUITE double B plus**) and short-term facilities at '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 35.00 Cr. bank facilities of Pep-Cee Pack Industries. The outlook is '**Stable**'.

Rationale behind rating

The assignment of rating takes into consideration the experienced management, track record of the company along with the growth in operating revenue of the company. Further the financial risk profile of the company though moderate remains in a comfortable range. The aforesaid factors are underpinned by decline in the margins due to raw material price fluctuations.

About the Company

Pep-Cee pack industries, established as a partnership firm in 2003, manufactures food-grade plastic bags, plastic rolls, and plastic sheets, which are used for packaging in industries such as fast-moving consumer goods, pesticides, and chemicals. The current partners of the firm are Mr. Jay Shah, Mr. Mihir Shah, Mr. Bhupat B.Shah & Mr.Akash P. Shah. Pep-Cee's manufacturing plant is in Daman, while its office is in Mumbai.

Analytical Approach

Acuite has considered the standalone financial and business risk profiles of Pep-Cee Pack Industries to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management

The partners of the entity Mr. Jay Shah and Mr. Mihir Shah, Mr. Bhupat B.Shah & Mr.Akash P. Shah has vast experience in the aforementioned line of business. Their experience into this line of business would help the company to flourish. Acuite believes that the company will continue to benefit from its operations and excellence.

Established track record of operations

The company has achieved revenue of Rs.291.35 Crore in FY22 against Rs.236.45 Crore in FY21. The company has seen an upward trend over the last three years, with EBITDA margins of 2.51% in FY22 compared to 2.96 percent in FY21. The company involves both production and product trade activities. 60% of the revenue comes from the production unit, while the remaining 40% comes from trading. Compared to 1.82% in FY21, the company's PAT margin in FY22 is 1.25%. The company has so far generated sales of Rs. 207 Crore as of October.

Financial Risk Profile

The financial risk profile of the company is marked by the net worth of Rs.10.33 Crore in FY22 against Rs.9.14 Crore in FY21. The total debt of the company is Rs.25.66 Crore in FY22 (Long term debt of Rs.1.75 Crore in FY22, Unsecured loans of Rs.8.99 Crore, short term debt of Rs.13.99 Crore). The debt equity profile of the company has improved at 2.48 times in FY22 against 3.36 times in FY21. Going forward, the interest coverage ratio and debt service coverage ratio of the company in FY22 is at 2.90 times and 2.49 times against 4.58 times and 3.80 respectively.

Weaknesses

Susceptibility of profitability margins to fluctuations in prices of raw materials

Volatile and unstable global markets have widespread implications for manufacturing organizations. This may impact the profitability of the business.

Strong competition from other market players

The company is operating in a industry where in there are several players in the organized and un-organized markets leading to strong competition.

Rating Sensitivities

- Sustained growth in operating performance along with improvement in profitability.
- Any deterioration in the working capital cycle leading to deterioration in financial risk profile and liquidity position

Material covenants

None.

Liquidity Position

Adequate

The company has adequate long term liquidity marked by healthy net cash accruals to its maturing debt obligations. The net cash accruals in FY22 at Rs.4.88 Crore against debt repayment obligation of Rs.0.43 Crore for the same period. Going forward, the company is expecting to generate net cash accruals under the range of Rs.5 Crore against the debt repayment obligations under range of Rs.0.93 crore in the same period. The bank limit utilisation of non-fund based facilities at 59.05% and for the fund based facilities at 91.39%.

Outlook: Stable

Acuité believes that Pep-Cee Pack Industries will maintain a 'Stable' outlook over the medium term on the back of its established track record of operations and experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in its revenues and profitability while maintaining its capacity utilization. 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 further elongation in the working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	291.35	236.45
PAT	Rs. Cr.	3.64	4.30
PAT Margin	(%)	1.25	1.82
Total Debt/Tangible Net Worth	Times	2.48	3.36
PBDIT/Interest	Times	2.90	4.58

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

The company has been flagged as issuer not cooperating at "CRISIL B+" dated March 12, 2020

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>
- 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:

Not Applicable

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 Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	ACUITE A4+ Assigned
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	17.00	ACUITE BB+ Stable Assigned
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	ACUITE A4+ Assigned
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	2.54	ACUITE BB+ Stable Assigned
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.38	ACUITE BB+ Stable Assigned
HDFC Bank Ltd	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	3.08	ACUITE BB+ Stable Assigned

Contacts

Analytical	Rating Desk
Depanshi . Analyst-Rating Operations Tel: 022-49294065 depanshi.mittal@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.