



**Press Release**  
**ATTHA RV SAI FLEXIPACK PRIVATE LIMITED**  
**June 23, 2023**  
**Rating Assigned**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	50.00	ACUITE BB+   Stable   Assigned	-
Bank Loan Ratings	30.00	-	ACUITE A4+   Assigned
Total Outstanding Quantum (Rs. Cr)	80.00	-	-

**Rating Rationale**

Acuite has assigned its long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs. 80.00 Cr bank facilities of Atthrav Sai Flexipack Private Limited (ASFPL). The outlook is '**Stable**'.

**Rationale to rating assigned**

The rating assigned takes into account the established market position and the company's track record in manufacturing flexible packing material. It also factors the relationship with reputed clientele namely ITC Limited, Britannia Industries Ltd, UNIBIC Foods India Pvt Ltd to name a few. Acuite has also considered the sustained improvement in scale of operations and financial risk profile backed by improvement in volume growth as well as better realisation price per unit which has resulted in improvement of revenue to Rs. 136.63 Cr in FY2023 (Provisional) from Rs.85.94 Cr in FY2022 and Rs. 78.13 Cr in FY2021. The improvement is supported by expansion of installed capacity from 600 MTS to 750 MTS, improvement in capacity utilisation to 88 percent in FY2023 from 78 percent in FY2022 backed by repeated orders from existing customer base. However, rating is constrained by working capital intensive nature of operations which has subsequently resulted in high reliance on the short term bank borrowings with an average utilization of more than 95% for last 12 months ended March 2023. It also considers the susceptibility to cyclicalities in the plastic industry and end-user industry and customer concentration risk with ITC Ltd contributing approx. 63% in company's total revenue as on FY 2023.

**About the Company**

Attharv Sai Flexipack Private Limited (ASFPL) started its operations in 2013 and is engaged in the manufacturing of flexible packing materials. The company is based in Mysore, Karnataka and promoted by Ms. Ashwini Kumar Paramanand Hemdev, Ms. Renu Nischaldas Chugh and Ms. Simran Ashwini Kumar Hemdev. The company caters to industries such as FMCG, industrial packing, pharma and agriculture. It operates from its registered office in Mysore and has a customer presence across India.

**Analytical Approach**

Acuite has considered the standalone business and financial risk of ASFPL to arrive at the

rating.

## Key Rating Drivers

### Strengths

#### Experienced management and established track record of operations

ASFPL has almost one decade of experience in manufacturing of flexible packing material for companies in FMCG, pharma, industrial application and agriculture sectors. Company is currently managed by Mr.Ashwini Kumar Paramanand Hemdev, Ms. Renu Nischaldas Chugh and Ms.Simran Ashwini Kumar Hemdev. The experience of promoters has helped the company to establish long-term relationships with its reputed customers namely ITC Limited, Britannia Industries Ltd to name a few for recurring orders. ASFPL procures multilayer plastic from its suppliers and manufactures flexible packing material as per the requirement of their customers. The established presence and recurring orders from its customer has helped the company to increase its scale of operations which stood at Rs.136.63 Cr in FY2023(Prov) as against Rs. 85.94 Cr in FY2022 and Rs. 78.13 Cr in FY2021. The improvement in revenue is also backed by expansion in installed capacity from 600 MTS in FY2022 to 750 MTS in FY2023. And, capacity utilisation has also improved from 78 percent in FY2022 to 88 percent in FY2023 which led to volume growth of 50 percent in flexible packing(slitting) and 149 percent growth in flexible packing(pouching) segment. Company has decent order book of Rs.49.86 Cr as on March 2023 to be executed in FY2024, normal period of execution of orders is around 75 days to 90 days.

Acuite believes that ASFPL will continue to benefit from its established track record of operations and longstanding relationships with its customers and suppliers.

#### Moderate financial risk profile

The financial risk profile of the company is moderate marked by moderate net worth, leverage ratios and debt protection metrics. The company's net worth stood at Rs 18.61 Cr as on March 31<sup>st</sup> 2023 (Prov) as against Rs.10.97 Cr as on March 31<sup>st</sup> 2022 and Rs.7.22 Cr as on March 31<sup>st</sup> 2021. The increase in net worth in FY 2023 is majorly due to increase in paid-up equity from Rs 9.96 Cr as on March 31<sup>st</sup> 2022 to Rs 15 Cr as on March 31<sup>st</sup> 2023 (Prov.) The total debt of Rs. 46.37 Cr as on March 31<sup>st</sup> 2023 consists of Rs.28.20 Cr of term loans, Rs.2 Cr of unsecured loan, Rs 5.72 Cr of CPLTD and Rs.10.45 Cr of short term debt. The company follows an aggressive financial policy reflected through its peak gearing (debt/equity) of 5.57 times as on March 31<sup>st</sup> 2021. The gearing of the company improved and remain moderate at 2.49 times as on March 31<sup>st</sup> 2023 (Prov) as against 4.74 times as on March 31<sup>st</sup> 2022 and 5.57 times as on March 31<sup>st</sup> 2021. Further, The total outside liabilities to tangible net worth also improved and stood at 4.37 times as on March 31<sup>st</sup> 2023 (Prov) as against 6.97 times as on March 31<sup>st</sup> 2022 and 8.82 times as on March 31<sup>st</sup> 2021. Debt protection metrics of interest coverage ratio and debt service coverage ratio(DSCR) stood moderate at 3.11 times and 2.91 times respectively as on March 31<sup>st</sup> 2023 (Prov) as against 2.76 times and 2.69 times respectively as on March,31<sup>st</sup> 2022 and 2.17 times and 2.12 times respectively as on March 31<sup>st</sup> 2021. Acuite believes that the financial risk profile of the company may improve going forward with no major debt-funded capex plan.

### Weaknesses

#### Working capital intensive nature of operations

Company's operations are working capital intensive, as reflected by its improved though high Gross Current Asset (GCA) days of 183 days in FY 2023 (Prov) as against 195 days for FY22 and 192 days for FY21. The inventory days stood at 120 days in FY 2023 (Prov) as against 127 days and 112 days in FY 2022 and FY 2021 respectively. The debtor's days remained around 70-75 days during the last three years ending FY23 (Prov) which is in line with the credit period allowed to its customers. To support the working capital, the group stretched the creditors to an extent of about 67-116 days during the last three years, ending FY 23 (Prov). The stretch in working capital cycle has led to higher reliance on short term bank borrowings with an average utilisation of 95 percent in the past 12 months ended March 2023.

Acuité believes that the working capital management of the group will remain a key rating sensitivity over the medium term.

### **Customer concentration risk**

ASFPL has a high customer concentration risk with approx. 63% of its total revenue being contributed by a single reputed customer ITC Ltd. Further, out of the total revenue, 80% is from the Top 4 customers only including ITC Ltd. The current outstanding order book is also from these four customers only depicting high reliance on recurring orders.

### **Susceptibility to cyclicality in the plastic industry and end-user industry**

The domestic plastic sector is characterised by demand cyclical, volatility in raw material and metal prices, high regulatory risk, and the risk of imports. Group operates in the cyclical plastic industry thus making it vulnerable to downturns in industry demand, leading to decline in realizations and profitability. Moreover, the bulk of its revenue is derived from cyclical domestic end use industry, the demand depends on the economic growth and consumer sentiments, and thus any decline in demand can also have adverse impact on sales and profitability of group. Demand for plastic products depends on the level of construction and infrastructure activities and any movement in economic cycles. Furthermore, the plastic industry remains exposed to global crude oil prices. While the cost-efficient and integrated domestic operations of the company partially cushion profitability against cyclical downturns, it shall remain exposed to inherent price and demand volatility in the plastic industry.

### **Rating Sensitivities**

- Significant improvement in scale of operations while maintaining profitability margins
- Sustainable improvement in Profitability, Leverage and Solvency position of the group.
- Any further deterioration in working capital management leading to deterioration in financials risk profile and liquidity

### **Material covenants**

None

### **Liquidity Position Adequate**

The liquidity position of the company remains adequate, marked by adequate net cash accruals to service its maturing debt obligation. Further, the cash accruals of the group are estimated to remain in the range of Rs. 10–13 crore during the 2024–25 period, while its repayment obligation is estimated to be around Rs. 5.72–6.75 Cr during the same period. The current ratio of the group stood at 1.61 times, and cash and bank balances stood at 0.01 crore as of March 31, 2022. However, due to stretched working capital cycle company has high reliance on short term borrowings marked by an average utilization of 95 percent in the last 12 months ending March 2023. Acuité believes that the liquidity of the group is likely to remain adequate over the medium term on account of adequate cash accrual and no major large debt capex plans over the medium term.

### **Outlook: Stable**

Acuité believes that ASFPL will maintain 'Stable' outlook over the medium term due to extensive experience of its promoters, healthy growth in revenue and moderate financial risk profile. However, the outlook may be revised to 'Positive' in case if the company registers expected or higher-than expected growth in revenues and profitability, overall improvement in financial risk profile and efficient working capital management. Conversely, the outlook may be revised to 'negative' in case of company's inability to achieve the expected increase in revenue and profitability or deterioration in overall financial risk profile and working capital operations leading to stretch in liquidity.

## Other Factors affecting Rating

None

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	85.94	78.13
PAT	Rs. Cr.	1.10	0.99
PAT Margin	(%)	1.28	1.27
Total Debt/Tangible Net Worth	Times	4.74	5.57
PBDIT/Interest	Times	2.76	2.17

### 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>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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](http://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
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	11.00	ACUITE BB+   Stable   Assigned
Bank of Baroda	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A4+   Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	4.12	ACUITE BB+   Stable   Assigned
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	26.98	ACUITE BB+   Stable   Assigned
Small Industries Development Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	7.90	ACUITE BB+   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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