Press Release

ATTHARV SAI FLEXIPACK PRIVATE LIMITED

April 02, 2024

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.00	ACUITE BB+ | Stable | Assigned	-
Bank Loan Ratings	50.00	ACUITE BB+ | Stable | Reaffirmed	-
Bank Loan Ratings	30.00	-	ACUITE A4+ | Reaffirmed
Total Outstanding Quantum (Rs. Cr)	92.00	-	-

Rating Rationale

Acuité has reaffirmed its long-term rating of **ACUITÉ BB+' (read as ACUITE double B plus)** and short-term rating of **ACUITE A4+ (read as ACUITE A four plus)** on the Rs. 80.00 Cr. bank loan facilities of Attharv Sai Flexipack Private Limited.
Further, Acuite has assigned its long-term rating of **ACUITÉ BB+' (read as ACUITE double B plus)** on the Rs. 12.00 Cr. bank facilities of Attharv Sai Flexipack Private Limited (ASFPL). The outlook is **'Stable'.**

Rationale to rating assigned

The rating reaffirmation and assigned takes into account the established market position and the company's track record in manufacturing flexible packing material. It also factors in the relationship with reputed clientele namely ITC Limited, Britannia Industries 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 realization price per unit which has resulted in improvement of revenue to Rs. 136.94 Cr. in FY2023 from Rs.85.94 Cr. in FY2022 and Rs.78.13 Cr. in FY2021. The improvement is supported and backed by repeated orders from existing customer base. However, rating is constrained by moderately intensive working capital operations which has subsequently resulted in high reliance on the short term bank borrowings with an average utilization of more than 96% for last 10 months ended Jan 2024. It also considers the susceptibility to cyclicality in the plastic industry and end-user industry and customer concentration risk with ITC Ltd contributing approx. 60% in company's total revenue.

About the Company

Attharv Sai Flexipack private limited(ASFPL) is incorporated in 2013 by Mr. Ashwin Kumar Hemdev and Mrs. Renu N Chugh engaged in manufacturing of flexible packaging used primarily by FMCG, pharma companies, agriculture for industrial application and packing materials. Company's manufacturing facility is located at Mandya, Mysore. ASFPL customers includes reputed FMCG plays like ITC, Britannia.

Unsupported Rating

Not applicable

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 a 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.136.94 Cr. in FY2023 as against Rs. 85.94 Cr. in FY2022 and Rs. 78.13 Cr. in FY2021. Further, the company was able to achieve a revenue of Rs.152.22 Cr. till January 2024 and has a healthy order book of Rs. 51.16 Cr.

Acuite believes that ASFPL shall 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 18.52 Cr. as on March 31st 2023 as against Rs.10.97 Cr. as on March 31st 2022 and Rs.7.22 Cr. as on March 31st 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 31st 2022 to Rs 15 Cr. as on March 31st 2023. The total debt of Rs. 55.16 Cr. as on March 31st 2023 consists of Rs. 31.78 Cr. of long term debt, Rs.6.32 Cr. of unsecured loan, Rs 6.64 Cr. of CPLTD and Rs.10.43 Cr. of short term debt. The gearing of the company improved and remain moderate at 2.98 times as on March 31st 2023 as against 4.74 times as on March 31st 2022 and 5.57 times as on March 31st 2021. Further, The total outside liabilities to tangible net worth also improved and stood at 5.20 times as on March 31st 2023 as against 6.97 times as on March 31st 2022 and 8.82 times as on March 31st 2021.Debt protection metrics of interest coverage ratio and debt service coverage ratio(DSCR) stood moderate at 2.67 times and 2.59 times respectively as on March 31st 2023 as against 2.76 times and 2.69 times respectively as on March 31st 2022 and 2.17 times and 2.12 times respectively as on March 31st 2021.

Acuite believes that the financial risk profile of the company may improve going forward with no major debt-funded capex plan.

Weaknesses

Moderately intensive working capital operations

Working capital operations of the company are moderately intensive marked by its improved though high Gross Current Asset (GCA) days of 167 days in FY 2023 as against 195 days for FY22 and 192 days for FY21. The inventory days stood at 124 days in FY 2023 as against 127 days and 112 days in FY 2022 and FY 2021 respectively. The debtor's days stood at 52 days in FY2023 as against 74 days and 72 days in FY2022 and FY2021 respectively. To support the working capital operations, the group stretched the creditors to an extent of about 67–125 days during the last three years, ending FY 23. The stretch in working capital cycle has led to higher reliance on short term bank borrowings with an average utilisation of 96 percent in the past 10 months ended Jan 2024.

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

Customer concentration risk

ASFPL has a high customer concentration risk with approx. 60% of its total revenue being contributed by a single reputed customer ITC Ltd. Further, out of the total revenue, 72.64% is from the Top 4 customers only including ITC Ltd, Britannia, Tera Panth. The current outstanding order book of Rs 51.16 Cr. includes 38.75 Cr. from these customers 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 cyclicality, 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

Improvement in scale of operation while improving the profitability margin.
Any further deterioration in working capital management leading to deterioration in financials risk profile and liquidity.

Liquidity Position

Adequate

The company's liquidity position is adequate and the company has sufficient net cash accruals of Rs.10.18 Cr. in FY2023 as against its maturity debt obligations of Rs. 6.64 Cr. in the same year. In addition, it is expected to generate a sufficient cash accrual in the range of Rs. 13.72 – 17.05 crores as against the maturing repayment obligations of around Rs.7.65 crore over the medium term. However, the working capital management of the firm is moderately intensive marked by GCA days of 167 days in FY2023 as against 195 days in FY2022. The current ratio stands at 1.19 times as on 31st March 2023 as against 1.61 times as on 31st March 2022.Further,the average bank limit utilization for the past 10 months ending January 2024 is averaging around 96.11% percent.

Acuité believes that the liquidity of the company 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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	136.94	85.94
PAT	Rs. Cr.	2.51	1.10
PAT Margin	(%)	1.83	1.28
Total Debt/Tangible Net Worth	Times	2.98	4.74
PBDIT/Interest	Times	2.67	2.76

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
• Entities In Manufacturing Sector:- 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
In order to inform the investors about complexity of instruments, Acuité 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
23 Jun 2023	Cash Credit	Long Term	11.00	ACUITE BB+ | Stable (Assigned)
	Letter of Credit	Short Term	30.00	ACUITE A4+ (Assigned)
	Proposed Long Term Bank Facility	Long Term	4.12	ACUITE BB+ | Stable (Assigned)
	Term Loan	Long Term	26.98	ACUITE BB+ | Stable (Assigned)
	Term Loan	Long Term	7.90	ACUITE BB+ | 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
Bank of Baroda	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	11.00	ACUITE BB+ | Stable | Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	30.00	ACUITE A4+ | Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.25	ACUITE BB+ | Stable | Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	12.00	ACUITE BB+ | Stable | Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.68	ACUITE BB+ | Stable | Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.12	ACUITE BB+ | Stable | Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	20 Jan 2028	Simple	15.12	ACUITE BB+ | Stable | Reaffirmed
Small Industries Development Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	15 Apr 2025	Simple	4.58	ACUITE BB+ | Stable | Reaffirmed
Small Industries Development Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	10 Feb 2028	Simple	2.00	ACUITE BB+ | Stable | Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	22 Oct 2026	Simple	8.25	ACUITE BB+ | Stable | Reaffirmed

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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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