

Press Release
DOT PROPACK INDUSTRIES PRIVATE LIMITED
April 19, 2024
Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	23.00	ACUITE BB Stable Assigned	-
Bank Loan Ratings	1.00	-	ACUITE A4+ Assigned
Total Outstanding Quantum (Rs. Cr)	24.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BB**' (read as **ACUITE Double B**) and short-term rating of '**ACUITE A4+**' (read as **ACUITE A Four plus**) on the Rs. 24.00 Cr. bank facilities of Dot Propack Industries Private Limited (DPIPL). The outlook is '**Stable**'.

Rationale for Rating

The rating assigned reflects the established track record of operations and experience of the directors in the industry and adequate liquidity position of the company. However, the rating is constrained due to moderate working capital operations and modest scale of operations with declining revenue in FY24 and susceptibility to cyclicity in the plastic industry and end-user industry.

About the Company

Dot Propack Industries Private Limited (DPIPL), incorporated in 2016. Situated in the Five Star Shendra MIDC in Aurangabad, Maharashtra. The Directors of the company are Mr. Naresh Gangabishan Sikchi and Mr. Anil Ramgopal Mali. The company is engaged in the business of manufacturing of Cast PE Polyfilms for packaging purposes. Dot Propack Industries Pvt Ltd specializes in Plastic Packaging and Speciality films. DPIPL is recognized for its manufacturing of Cast Polyethylene and Polypropylene Films, complemented by advanced printing and lamination capabilities. Its primary clients consist of hygiene product manufacturers.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Dot Propack Industries Private Limited (DPIPL) to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management and established track record of operations-

The company is managed by Mr. Naresh Gangabishan Sikchi along with Mr. Anil Ramgopal Mali and a team of experienced personnel. The directors possess nearly a decade of experience in the manufacturing business. The long-standing experience of the promoter and

long track record of operations has helped the company to establish comfortable relationships with key suppliers and customers.

Acuite believes that firm will continue to benefit from its established presence and track record along with a healthy relationship with customers.

Moderate Financial Risk Profile -

The financial risk profile of the company is moderate, marked by moderate net worth, low gearing and strong debt protection metrics. The net worth of the company stood at Rs.11.42 crore in FY 2023 as compared to Rs 6.57 crore in FY2022. The increase in net-worth is majorly due to the accretion of profits to the reserves. The gearing of the company has stood comfortable at 0.22 times in FY 2023 as compared to 1.18 times in FY 2022. However, the gearing is expected to deteriorate still remain moderate due to the debt funded capex plan of 15 Cr. in FY24. The TOL/TNW of the company stood at 0.80 times as on 31st March 2023 as against from 1.75 times as on 31st March 2022. Further Debt Protection metrics stood comfortable with Interest Coverage Ratio (ICR) stood at 48.72 times as on 31st March 2023 as against 14.70 times as on 31st March 2022. The Debt Service Coverage Ratio (DSCR) of the company stood at 38.05 times as on 31st March 2023 as compared to 11.74 times in the previous year. The Net Cash Accruals to Total Debt (NCA/TD) ratio stood at 2.23 times as on 31st March 2023 as compared to 0.54 times in the previous year.

Acuite believes that financial risk profile of the firm may deteriorate but remain moderate over medium term due to debt funded capex plan.

Weaknesses

Modest Scale of operations-

Company has modest scales of operations marked by revenue of Rs 53.92 Cr. in FY 2023 as against Rs 45.65 Cr. in FY 22, However the revenue is estimated to decline in FY 24 and is in the range of Rs 44 - 45 Cr, attributed to the temporary non-operational status of the manufacturing unit for around 2-3 months because of the expansion process. The operating profit margins have stood range bound at 13.77% to 14.58% over the last 3 financial years ending FY23.

Going ahead the profitability margins are expected to remain in similar range.

Moderate Working capital management-

The working capital operations of the company are moderate in nature marked by GCA days of 88 days in FY2023 against 81 days in FY2022. The debtor's collection period stood at 65 days in FY2023 as against 41 days in FY2022. The inventory days for the company stood at 17 days in FY2023 as against 35 days in FY2022. Also the creditors days stood at 49 days in FY2023 as against 25 days in FY2022. Furthermore, the average utilization of working capital for fund based limits remained low, averaging around 21% over the last 6 months ending March 2024.

Acuite expects the working capital management to remain moderate over the medium term.

Susceptibility to cyclicity in the plastic industry and end-user industry

The domestic plastic sector is characterised by demand cyclicity, 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 elongation in its working capital cycle
Deterioration in financial risk profile

Liquidity Position

Adequate

The company's liquidity position is adequate, and the company has sufficient net cash accruals of Rs.5.68 Cr. in FY2023 as against its NIL maturity debt obligations in the same tenure. In addition, it is expected to generate a sufficient cash accrual in the range of Rs. 4.42 – 6.01 crores as against the NIL maturing repayment obligations over the medium term. Further, the working capital management of the firm is moderate marked by GCA days of 88 days in FY2023 as against 81 days in FY2022. The current ratio stands at 2.15 times as on 31st March 2023 as against 2.23 times as on 31st March 2022. However, the average bank limit utilization for the past 6 months ending March 2024 is low averaging around 21% percent.

Acuite believed that liquidity position of the company may continue to remain adequate with steady cash accruals.

Outlook: Stable

Acuite believes the outlook on DPIPL will continue to remain 'Stable' over the medium term backed by its long track record of operations and experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' if the company is able to successfully acquire higher orders which will lead to significant improvement in scale of operations and the profitability margins while also improving its working capital operations. Conversely, the outlook may be revised to 'Negative' in case of any operating inefficiency by DPIPL leading to deterioration in revenue and profitability along with financial risk profile and liquidity position of the company.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	53.92	45.65
PAT	Rs. Cr.	4.85	3.37
PAT Margin	(%)	8.99	7.38
Total Debt/Tangible Net Worth	Times	0.22	1.18
PBDIT/Interest	Times	48.72	14.70

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>
- 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

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
Saraswat Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	ACUITE A4+ Assigned
Saraswat Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.00	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	0.08	ACUITE BB Stable Assigned
Saraswat Bank	Not avl. / Not appl.	Term Loan	30 Oct 2023	Not avl. / Not appl.	10 Nov 2031	Simple	14.92	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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