

## RATING RATIONALE

30 Jan 2020

### Annapurna Pet Pvt Ltd

## Brickwork Ratings Revises ratings for the Bank Loan Facilities of ₹. 33.58 Crores of Annapurna Pet Pvt Ltd (“APPL” or the Company).

### Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (July, 2018)	Present
Fund based	28.07	22.58	Long Term	BWR BB-Stable	BWR B Stable Downgrade
Non Fund Based	11.00	11.00	Short Term	BWR A4	BWR A4 Reaffirm
<b>Total</b>	<b>39.07</b>	<b>33.58</b>	<b>INR Thirty Three Crores and Fifty Eight Lakhs Only.</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\*\* Details of Bank facilities is provided in Annexure-I

### RATING ACTION: Downgraded

BWR has essentially relied upon audited financial results of Annapurna Pet Pvt Ltd (APPL) up to FY19 & projected financial up to FY 21, publicly available information & clarification/information provided by the company & its management.

The rating continues to factor, inter-alia, experience of promoters with established track record and reputed clientele.

The downgrade majorly reflects stretched liquidity position on account of deterioration in working capital requirements and deterioration in debt protection metrics. The rating also factors modest scale of operations, thin profit margins, volatility in revenue in the last two years due to government restriction on usage of PET bottles and working capital intensive nature of business negatively impacting liquidity position.



The 'Stable' outlook indicates a low likelihood of a rating change over the medium term. BWR believes that Annapurna Pet Pvt Ltd (APPL) business risk profile will be maintained over the medium term.

## KEY RATING DRIVERS

### Credit Strengths:

**Experience of promoters:** The promoters of the company have relevant experience in the business of preforms. Mr. Sunil Goyal, who is one of the promoter directors, is founder of Ladderup Group, which is into financial services and corporate advisory. The company has a strong management team having relevant experience in the preforms industry.

**Established Clientele:** The company has established and reputed clients who are engaged in manufacturing of packaged drinking water, aerated drinks and edible oils.

### Credit Risks:

**Modest scale operations & weak financial risk profile-** The operations of the entity remained modest owing to short track record of manufacturing operations with low networth base. Modest scale limits financial flexibility and deprives it of benefits of economies of scale. The Company's scale of operation has remained volatile from the last 2 years and the company has recorded a very thin profit margin for the last two years. The Company's financial risk profile is constrained by weak debt protection metrics with ISCR of 1.44x & DSCR at 0.87x. and gearing at 5.48x in FY19.

**Working capital intensive operations-** Working capital intensity of APPL remained high owing to large amount of funds blocked in Inventory and debtors as reflected by high gross current asset days of 200 days in FY19 leading to stretched liquidity position. Operations of the company are seasonal in nature resulting in an elongated working capital cycle. Due to the seasonal nature of the company, it has to maintain a very high inventory holding period which impacts the overall working capital cycle.

**Fluctuating profitability with susceptibility to volatility in input prices:** The profitability of the entity remained moderate and fluctuating during the last three years ending FY19. The profitability margins are susceptible to volatility in raw material prices (mainly PET resin, which is a crude oil derivative). Since the raw material constitutes the majority of its cost, any upward movement in the same would affect the profit margins.

**Likely impact of ban on use of PET bottles:** As per the recent notification of Maharashtra State Government, it has banned the manufacture, sale and use of polyethylene terephthalate (PET)



bottles holding less than 200 ml along with other plastic items. This may have an impact on sales of the company if such ban is imposed on other PET products.

## **ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA**

BWR has factored into a standalone business and financial risk profile of the company along with the business Annapurna Pet Pvt Ltd to arrive at the rating as they are engaged in a similar line of business. Reference may be made to the Rating Criteria hyperlinked below.

## **RATING SENSITIVITIES**

Going forward, the Company's ability to report significant growth in revenue and profitability with efficient working capital management & improvement in the overall credit metrics marked by improved leverage and coverage ratios and better liquidity position is key rating sensitivity.

**Positive:** The Company's ability to improve its scale of operations along with profitability resulting improvement in overall liquidity position and effectively managing its working capital requirements will be positive for the ratings.

**Negative:** Lower than expected growth in revenues and profitability coupled with increase in the working-capital requirements of the company adversely impacting the liquidity position of the company will be negative for the company.

## **LIQUIDITY POSITION: Stretched**

Company liquidity is weak. The working capital limit has been 99% utilized which indicates the tight liquidity position of the company. Seasonal nature of business operations has led to high Gross Current Assets (GCA) of about 200 days negatively impacting liquidity position of the company. Current Ratio of the company stood at 1.11 times in FY 2019. The Company liquidity position is supported by cash and cash equivalents of INR 2.48 crores in FY 2019. The overall liquidity position of the company remains stretched.

## **COMPANY PROFILE**

Annapurna Pet Pvt Ltd (APPL) is a Mumbai based company incorporated in 2011. The company commenced commercial operations from March 01, 2013. It is into manufacturing a wide range of Pet Performs in a variety of weights, colors and sizes which are used for packaging in industries like packaged water, carbonated soft drinks, edible oils, juices, etc. It also manufactures bottle caps. The company has a manufacturing plant situated at Umbergaon in the State of Gujarat having an installed capacity of approximately 1 Billion Preforms per annum (15,500 tones).

**KEY FINANCIAL INDICATORS (in ₹ Cr)**

Key Parameters	Units	FY18	FY19
Result Type		Audited	Audited
Operating Income	Rs. Crs	56.91	66.47
Ebitda	Rs. Crs	6.88	6.78
PAT	Rs. Crs	0.06	0.07
Tangible Net Worth	Rs. Crs	15.47	23.23
D/E	Times	2.65	1.54
Current Ratio	Times	1.08	1.11

**KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA**

**NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: CARE Ratings has migrated the rating from CARE BB-/ A4 (Stable) 'Issuer Not Cooperating' to CARE B+; Stable; ISSUER NOT COOPERATING' on 9 May 2019**

**RATING HISTORY:**

Sr. No.	Instrument / Facilities	Current Rating			Rating History		
		Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	23-Jul-2018	2017	2016
1	Term Loans	Long Term	<b>11.58*</b>	BWR B Stable	BWR BB-Stable	N.A	N.A
2	Cash Credit	Long Term	<b>11.00</b>	BWR B Stable	BWR BB-Stable	N.A	N.A
3	ILC/ FLC	Short Term	<b>10.00</b>	BWR A4	BWR A4	N.A	N.A
4	Bank Guarantee	Short Term	<b>1.00</b>	BWR A4	BWR A4	N.A	N.A
	Total		<b>33.58</b>	INR Thirty Three Crores and Fifty Eight Lakhs Only			

\* o/s term loan

## COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

### Hyperlink/Reference to applicable Criteria:

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)

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## Annapurna Pet Pvt Ltd ANNEXURE I

### Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1	Central Bank of India	Term Loans	11.58*	-	11.58
		Cash Credit	11.00	-	11.00
		ILC/FLC		10.00	10.00
		Bank Guarantee	-	1.00	1.00
<b>TOTAL</b>					<b>33.58</b>



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**About Brickwork Ratings** :Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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