



Rating Rationale

Annapurna Pet Pvt Ltd

23 July 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 39.07 Crores of Annapurna Pet Pvt Ltd.

Particulars

| Facility | Amount (₹ Crs) | Tenure | Rating* |
|----------------|-------------------|--|---|
| Fund based | 28.07 | Long Term | BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable |
| Non Fund Based | 11.00 | Short Term | BWR A4 (Pronounced as BWR A Four) |
| Total | 39.07 | INR Thirty Nine Crores and Seven Lakhs Only | |

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Ratings - Assigned

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results of the company up to FY17, provisional financials of FY18, projections up to FY20, publicly available information and information/ clarifications provided by the management.

The rating continues to factor, inter-alia, vast experience of promoters and established clientele. However, the ratings are constrained by working capital intensive nature of business, susceptibility of margins to volatility in raw material prices and impact on sales due to ban on use of PET bottles. Going forward, ability of the company to increase sales, while effectively managing its working capital requirements and improving profit margins will remain key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths

- **Experience of promoters:** The promoters of the company have vast experience in business of preforms and in finance and consultancy. Mr. Sunil Goyal, who is one of the promoter directors, is founder of Ladderup Group, which is into financial services and corporate advisory.



- **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

- **Working capital intensive nature of business:** The company is in a working capital intensive business as large amount of funds is blocked in receivables and inventory.
- **Susceptibility of margins to volatility in raw material prices:** 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 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

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes **Annapurna Pet Pvt Ltd's** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Annapurna Pet Pvt Ltd (APPL) is a Mumbai based company incorporated in 2011. It is into manufacturing of wide range of Pet Performs in 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).

Company Financial Performance

As per provisional financials of FY18, the company has registered net sales of Rs 58.17 Crs and PAT of Rs 0.05 Crs as against net sales of Rs 64.77 Crs and PAT of Rs 0.77 Crs in FY17.

Rating History for the last three years

| S.No | Instrument /Facility | Current Rating (2018) | | | Rating History | | |
|------|----------------------|------------------------------|----------------|--|----------------|------|------|
| | | Type (Long Term/ Short Term) | Amount (₹ Crs) | Rating | 2017 | 2016 | 2015 |
| 1. | Fund Based | Long Term | 28.07 | BWR BB-/ Stable | NA | NA | NA |
| 2. | Non Fund Based | Short Term | 11.00 | BWR A4 | NA | NA | NA |
| | Total | | 39.07 | ₹ Thirty Nine Crores and Seven Lakhs Only | | | |

Status of non-cooperation with previous CRA - CARE Ratings has migrated the rating from CARE BB- (Stable) / A4 to CARE BB-(Stable)/ A4 ‘Issuer Not Cooperating’ on 4 April 2018.

Key Financial Indicators

| Key Parameters | Units | 2016 | 2017 |
|-------------------------------|-------|---------|---------|
| | | Audited | Audited |
| Net Sales | ₹ Cr | 52.94 | 64.77 |
| EBITDA | ₹ Cr | 5.96 | 6.50 |
| PAT | ₹ Cr | 0.36 | 0.77 |
| Tangible Net worth | ₹ Cr | 8.93 | 15.41 |
| Total Debt/Tangible Net worth | Times | 3.36 | 2.42 |
| Current Ratio | Times | 1.20 | 1.18 |

Hyperlink/Reference to applicable Criteria

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



For any other criteria obtain hyperlinks from website

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

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. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

DISCLAIMER

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