



Press Release

Frystal Pet Private Limited (FPPL)

March 12, 2021

Ratings:

Instrument / Facility	Amount (INR Crore)	Ratings	Rating Action
Long Term Fund Based Bank Facilities – Cash Credit	13.50	IVR BB/Stable (IVR Double B with Stable Outlook)	Assigned
Long Term Fund Based Bank Facilities – Term Loans	11.97	IVR BB/Stable (IVR Double B with Stable Outlook)	Assigned
Proposed Long Term Fund Based Bank Facilities – Term Loans	6.50	IVR BB/Stable (IVR Double B with Stable Outlook)	Assigned
Proposed Short Term Non-Fund Based Bank Facilities	2.03	IVR A4 (IVR A Four)	Assigned
Total	34.00		

Details of Facilities are in Annexure 1

Detailed Rationale:

The aforesaid ratings assigned to the bank facilities of Frystal Pet Private Limited derives strength from experienced management and long track record of operations, established relationships with suppliers and clients, favourable demand prospects for pet bottles, modest scale of operation and range bound EBITDA margin. The rating however is constrained by moderate capital structure & debt protection metrics, volatility in input prices, risks related to adverse government regulations and intense competition.

Key Rating Sensitivities:

Upward Factors

- Substantial & sustained improvement in the Company's revenue and profitability leading to sustained improvement in debt protection metrics.

Downward Factors

- Any decline in revenue and/or profitability leading to decline in debt protection metrics.

Key Rating Drivers with detailed description

Key Rating Strengths:

Experienced management and long track record of operations:

The key promoter of the company Mr. Rakesh Kumar Singhal is having more than three decades of experience and he is well supported by other promoters/directors Mr. Nishit Singhal & Mr. Mayur Singhal who also have close to a decade of experience in this industry



Press Release

which has helped the company grow over the years. Promoters are supported by a team of experienced and qualified professionals also.

Established long term relationships with suppliers and clients:

The company has established long standing relationships with its key suppliers and customers. The company supplies pet performs to a few big players in the FMCG industry.

Favourable demand prospects for Pet bottles:

The prospects of the industry are expected to remain good given that Pet bottles are 100% recyclables, transparent and less in weight. The demand prospects of pet bottle is increasing y-o-y.

Modest scale of operation:

Company revenue was at INR58.93 Crore in FY 20. The revenues decline by ~25 percent in FY2020 over the previous year. The decline was due to reduction in sale quantity and the realization value due to COVID-19 related disruptions in the country.

During 9MFY21, the company has achieved revenue of INR36.32 Crore as compared to INR 54.75 Crore in 9M FY20. Revenue is expected to rebound at FY19 level in the current financial year due to increased demand and improved realisations as the summer season is the peak season for the company.

Range bound EBITDA margin; on Going Capex to provide cushioning:

The company is undertaking a CAPEX plan amounting to INR12 Crores. This involves installation 2 new injection moulding machines; 11 KVA Dedicated Electric line and Solar power plant of 800 KW which would reduce the power cuts and the expenses on the repairs and maintenance and will bring down the cost of production. The incremental benefits of the capex will come from FY22. The capex will provide cushioning to EBITDA margin as the company will be in better position to absorb any adverse movement in the raw material prices.

Key Rating Weaknesses:

Moderate capital structure & debt protection metrics:

The financial risk profile of the company is moderate marked by moderate net worth, debt protection metrics and debt coverage indicators. The net worth of Company stood at INR 11.10 Crore (includes quasi equity of INR3.64 Crore) as on 31 March 2020 as against INR 10.18 Crore (includes INR 3.64 Crore of quasi equity) as on 31 March 2019. The debt-equity stood at 0.67 times as on 31 March 2020 as against 1.27 times as on 31 March 2019. The



Press Release

total debt outstanding as on 31 March 2020 has decline to Rs.19.53 Cr compared to Rs.26.43 Cr previous year. The overall gearing (debt-equity) stood at 1.76 times as on 31 March 2020 as against 2.60 times as on 31 March 2019. The Interest Coverage Ratio (ICR) - a coverage indicators slightly deteriorated to 2.36 times for FY2020 as against 2.48 times for FY2019. Total Debt / GCA ratio was at 6.12 times in FY2020 and Long-term Debt to EBITDA stood at 1.34 times in FY2020 as against 1.73 times in FY2019. Adjusted TOL/TNW stood at 2.31 times as on 31 March 2020.

Volatility in input prices:

The prices of the key raw materials, PET granules, and LLD granules, are highly volatile. The margin is exposed to fluctuations in the material prices as it is linked to global crude oil movements. Business risk profile and profitability of the company will remain susceptible to such volatility, which is compounded by a sizeable inventory.

Risks related to adverse government regulations:

Plastic and allied products are covered under government regulations, any adverse movement in which could largely impact the business. Therefore, FPPL is expected to remain susceptible to risks related to government regulations.

Intense competition:

The Pet Perform industry has a large number of small players because of low entry barriers due to limited capital requirement and low gestation period. The fragmentation has resulted in intense competition, which limits players' bargaining power. Regular capacity addition adds to the competitive pressure. However, the company has installed multiple Husky's and ASB's machines and has been dealing with major clients for more than 5 years and has a good terms with them.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity—Adequate

The firm has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The average Annual Utilisation for the last 12 months ended December 2020 stood at 57.04%. The current ratio stood at 1.39 times as on 31 March 2020.



Press Release

About the Company:

Frystal Pet Private Limited manufactures pet preform used in the production of plastic bottles. Started in 2007 with only one machine, today the company has multiple machines including Husky's and ASB's. Company majorly sells its product to various manufactures in distillery, beverages and other similar industries. The manufacturing facility is located at Rajasthan with installed capacity of 7,200 Metric Ton (MT) per annum.

Financials: Standalone

(INR Crore)

For the year ended/ As On	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	78.40	58.93
EBITDA	7.49	5.57
PAT	1.17	0.96
Total Debt	26.43	19.53
Tangible Net-worth	10.18	11.10
Ratios		
EBITDA Margin (%)	9.56	9.46
PAT Margin (%)	1.48	1.62
Overall Gearing Ratio (x)	2.60	1.76

Status of non-cooperation with previous CRA:

CARE Ratings in their press release dated 18th January 2018 has classified the case under Issuer Not Co-operating status on account of non-submission of relevant information.

ACUITE Ratings vide their press release dated 14th March 2019 has classified the case under Issuer Not Co-operating status on account of non-submission of relevant information.

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Fund Based Bank Facilities – Cash Credit	Long Term	13.50	IVR BB/Stable	--	--	--
2.	Long Term Fund Based Bank Facilities – Term Loans	Long Term	11.97	IVR BB/Stable	--	--	--



Press Release

3.	Proposed Long Term Fund Based Bank Facilities – Term Loans	Long Term	6.50	IVR BB/Stable	--	--	--
4.	Proposed Short Term Non-Fund Based Bank Facilities	Short Term	2.03	IVR A4	--	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

Name and Contact Details of the Rating Team:

Name: Rushabh Shah

Tel.:(022) 62396023

Email: rpsah@infomerics.com

Mr. Amit Bhuwania

Tel.:(022) 62396023

Email: abhuania@infomerics.com

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors



Press Release

Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long Term Fund Based Bank Facilities – Cash Credit	--	--	--	13.50	IVR BB/Stable
Long Term Fund Based Bank Facilities – Term Loans	--	--	Upto Sep 2027	11.97	IVR BB/Stable
Proposed Long Term Fund Based Bank Facilities – Term Loans	--	--	--	6.50	IVR BB/Stable
Proposed Short Term Non-Fund Based Bank Facilities	--	--	--	2.03	IVR A4

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Lenders-FPPL-12-03-21.pdf>