



Press Release

Asia Poly Films Industries (APFI)

September 26, 2022

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	34.96 (Reduced from 40.37)	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	Revised	Simple
Short Term Bank Facilities	3.00	IVR A3+ (IVR A Three Plus)	Revised	Simple
Total	37.96 (Rupees Thirty Seven crore and Ninety Six Lacs only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in the ratings assigned to the bank facilities of Asia Poly Films Industries (APFI) factors in the improvement in APFI's overall financial profile in FY22 (provisional). The ratings continue to factor in the long track record of partners in the packaging industry and favorable demand prospects with location benefits and proximity to suppliers. The ratings are, however, constrained by vulnerability of the profitability due to movements in the raw material prices, the firm's presence in a highly competitive and fragmented industry and inherent risk of capital withdrawal in the partnership nature of constitution.

Key Rating Sensitivities

Upward Factor

- Significant and sustained increase in operating income, thereby profitability and cash accruals.
- Improvement in working capital cycle of the firm.
- Sustained improvement in financial risk profile of the firm.



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Downward Factor

- Any debt funded capex leading to deterioration in the debt protection parameters and/or the liquidity position of the firm.
- Any decline in operating income and/or profitability leading to deterioration in overall financial risk profile of the firm.
- Stretch in the working capital cycle increasing reliance on external borrowings.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Extensive experience of the partners in packaging business

The key partners, Mr. Kiritbhai Fultaria and Mr. Pravinbhai Kasundra have more than two decades of experience in the packaging industry. The partners are responsible for day to day operations thus exhibiting close control over all the functions. The Morbi, Gujarat based partnership operates at 25000 MTPA capacity of BOPP films manufacturing plant.

Favorable financial profile characterized by a comfortable capital structure and debt coverage profile

APFI's total operating income increase in FY22 to Rs.326.90 crore from Rs.232.02 crore in FY21. PAT increased to Rs.36.87 crore in FY22 from Rs.25.70 in FY21. 40.89% increase in top operating income mainly because of increase in demands of packaging materials in domestic and global market. Overall gearing ratio improved from 1.77x in FY21 to 1.75x in FY22 while Interest coverage ratio improved from 6.84x in FY21 to 13.43x in FY22. In Q1FY23 it has achieved the revenue of Rs.95.15 crore (Q1FY22: Rs.68.50 crore)

Location benefits with proximity to the suppliers

APFI's manufacturing unit benefits from being in close proximity to its suppliers which results in minimizing the logistic costs to an extent. The company procures raw material such as PP Hopo Granule, Filler, crude oil etc. from Reliance Industries Ltd, and Indian Oil Corporation.

Favorable demand prospects for the flexible packaging industry

Flexible packaging typically includes materials such as plastic films, paper and aluminum foil. Over the years, BOPP Film (forms of plastic-based flexible packaging film) has become the preferred choice for packaging consumer articles including food, personal products and clothing. Flexible packaging improves the shelf life of products while increasing its product



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appeal. Increase in purchasing power in the developing countries has resulted in a significant rise in per capita consumption of flexible packaging materials.

Key Rating Weaknesses

Presence in a highly competitive and fragmented industry having low entry barriers

The flexible packaging industry is highly fragmented in nature having few large players and several unorganized regional players apart from rising imports. Moreover, owing to low entry barriers associated with industry, moderate initial capital investment and ease of access to technology, there is large influx of small players in the industry. However, APFI operates in BOPP film industry whose growth is closely linked to various end uses like packaging, textile and cosmetic products.

Profitability vulnerable to volatility in raw material prices

PP homo polymer (PPHP), a crude oil derivative, is the key raw material and its prices are subject to volatility in line with those of global crude oil prices. Hence, APFI's profitability is vulnerable to any adverse movement in the prices of its raw material, especially because of its low bargaining power vis-à-vis its customers and the competitive market for plastic films.

Risks inherent to partnership nature of constitution

Given the partnership nature of constitution, it remains exposed to discrete risks, including the possibility of withdrawal of capital by the partners and the risk of dissolution of the firm upon the death, retirement or insolvency of partners.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria of assigning rating Outlook](#)

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)



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Liquidity- Adequate

The liquidity position of the firm is expected to remain adequate as the firm is expected to generate sufficient cash accruals to meet the repayment obligations during FY23. The average working capital utilisation for 12 months ending June 2022 has been 82.68%. Current ratio and quick ratio were 1.41x and 1.00x respectively as on March 31, 2022. Moreover, the firm has no planned capex till 2025.

About the Company

Asia Poly Films Industries was established in 2015 as a partnership firm. It is engaged in manufacturing of BOPP films from 12 microns to 50 microns used mainly in packing and tape industry. The manufacturing plant is located at Morbi, Gujarat, with an installed capacity of 25,000 MT per annum. Mr. Dipeshbhai Patel, Mr. Kiritbhai Fultariya, Mr. Nareshbhai Fultaria, and Mr. Mansukhlal Kanjibhai Patel are the Managing Partners and take care of day-to-day operations of the firm.

Financials (Standalone)

(Rs. crore)

For the year ended / As On*	31-03-2021 (Audited)	31-03-2022 (Provisional)
Total Operating Income	232.02	326.90
EBITDA	33.27	42.63
PAT	25.70	36.87
Total Debt	37.59	35.44
Tangible Net Worth	21.28	31.37
<u>Ratios</u>		
EBITDA Margin (%)	14.34	13.04
PAT Margin (%)	10.90	11.16
Overall Gearing Ratio (x)	1.77	1.13

**As per Infomerics' standards*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil



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Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years			
		Type	Amount (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-22		Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
					(Aug 4, 2021)	(Jan 9, 2021)		
1	Cash Credit	Long Term	19.00	IVR BBB/ Stable	IVR BBB-/ Stable	IVR BB+/ Stable	-	-
2	Term Loan	Long Term	15.96	IVR BBB/ Stable	IVR BBB-/ Stable	IVR BB+/ Stable	-	-
3	Bank Guarantee	Short Term	3.00	IVR A3+	IVR A3	IVR A4+	-	-

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Cash Credit	-	-		19.00	IVR BBB/ Stable
Term Loan	-		June, 2025	7.07	IVR BBB/ Stable
Term Loan (GECL)	-	-	September 2024	8.89	IVR BBB/ Stable
Bank Guarantee	-	-	-	3.00	IVR A3+

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Asia-PolyFilms-sep22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.