Press Release

Himalaya Polytech Private Limited

August 14, 2018

Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crores)	Rating Assigned
1.	Term Loan	6.80	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)
2.	Fund Based facilities (CC)	7.80 (including proposed limit of Rs. 0.30 Crores)	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)
3.	Non fund based facilities (LC/BG)	6.00 (including proposed limit of Rs. 2.0 Crores)	IVR A4+ (IVR A Four Plus)
	Total	**20.60**	

Details of Facilities are in Annexure I

Detailed Rationale

The aforesaid ratings derive comfort from its experienced and qualified promoters, established relationship with clients and adequate EBITDA margins. The ratings are however constrained by small scale of operation, moderate debt protection matrices, clientele concentration, working capital intensive nature of business, liquidity pressure, exposure to volatility in raw material prices, intensity of competition and regulatory risk.

Profitability, leverage, working capital management and regulatory risk are the key rating sensitivities.

List of Key Rating Drivers

- Experienced and qualified promoters
- Established relationship with clients
- Adequate EBITDA margins
- Small scale of operation
- Moderate debt protection matrices
- Clientele concentration

- Working capital intensive nature of business
- Liquidity pressure
- Exposure to volatility in raw material prices
- Intensity of competition
- Regulatory risk

Detailed Description of the Key Rating Drivers

Key Rating Strengths

Experienced and qualified promoters

Himalaya Polytech is a company owned and managed by the Jain family. The company was incorporated in 2005. It is founded and promoted by Mr. Anil Kumar Jain. Mr. Jain has an experience of over 40 years and is a recognised name in industry circles. The business is now being managed by the second generation of the family - Mr. Anubhav Jain (son of Mr. Anil Jain) is a young entrepreneur, who is well qualified – B.Tech and MBA (Finance) and has prior experience of working in multinationals such as Goldman Sachs. He is assisted by his wife Mrs.Anukampa Jain who is a B.Com, M.Com, FCA and Masters in Business Law. She is the Chief Financial Officer of the company. Experience of the first generation combined with the exposure and vision of the second generation is a key strength for the business and its future prospects.

Established relationship with clients

The company has established client relationships which have been developed over the years. Key clientele include FMCG companies and liquor players such as Lords distillery Limited, DS Group, Dukes India Limited, Bisleri, Kingfisher and KRBL Limited.

Adequate EBITDA margins

The EBITDA margins of the company are in the range of 12%-13%. However, it has been high in the last two years at 16.19% in FY17 and 14.74% in FY18, on account of receipt of job-work income aggregating to Rs.1.38 crore in FY17 and Rs.0.53 crore in FY18.

Key Weaknesses

Small scale of operation

The company's operations are modest in scale. Operating revenue for the FY18 stood at Rs.26.7 crores. Revenues have increased marginally from Rs. 24.3 crores in FY15.PAT margins during the same period were in the range of 1.6 – 2.0 per cent.

Moderate debt protection matrices

Overall gearing for the company stood at 2.04x as on March 31, 2018 (March 31, 2017: 2.27x). Term debt to GCA and Interest coverage were also moderate at 5.08 times (FY 17: 4.09 times) and 1.64 times (FY 17: 1.77 times).

Clientele concentration

Though the company has established clientele, top five clients comprise 57.3 per cent of the total revenue for FY 2018. This indicates client concentration risk.

Working capital intensive nature of business

The business is working capital intensive with average credit period to debtors of around 90 days and high inventory period of 110-140 days. 12 per cent of total debtors (as on 31 March 2018) have been outstanding for a period more than 180 days (9 per cent of tangible net worth of the company). These debtors are primarily liquor companies whose credit cycle is stretched and the company expects to recover money in these cases in the near future. The company maintains large stocks to ensure quick servicing of client requirements (considering short turnaround times of 7-8 days for regular products).The creditor days are high at around 70days. Thus the working capital cycle continues to be high at around 140 days.

Liquidity pressure

Average working capital utilization of the fund based limits has generally been high (in spite of temporary overdraft facility being available to the company). This is primarily on account of increased limit usage due to increase in raw material prices in the recent past leading to occasional overdrawals in the account.

Exposure to volatility in raw material prices

Key input that the company uses is PET chip. PET chip is a product that is derived from crude oil. Crude oil being a globally traded commodity, its pricing is determined by international macro-economic factors – thereby leading to the price of the company's key raw material being susceptible to volatility. Though, the company passes on the impact of raw material price movement to clientele, its margins still continue to be susceptible to volatility.

Intensity of competition

The industry is characterized by intense competition among various players. The industry is largely unorganized in nature. It has low entry barriers on account of the business being less capital intensive and negligible statutory/quality requirements.

Regulatory risk

Though the packaging industry in India has huge growth potential (per capita consumption of packaging being low at 11 kg as compared to 38kg and 32 kg for other developing countries like China and Brazil), increasing awareness about the negative impact of plastics and allied products on the environment is a key weakness for the plastic and PET packaging industry at large. The Maharashtra Government for instance, has issued a notification in June 2018 banning all PET bottles smaller than 200 ml. As per newspaper reports, other states are expected to come up with a plastic ban soon which could be on similar lines as that of the Maharashtra government. This could have an adverse impact on the company and the industry.

Analytical Approach and Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Default Recognition & Post-Default Curing Period

<u>About the Company</u>

Himalaya Polytech Private Limited ("HPPL") was incorporated in the year 2005. It is promoted by the Jain family. The company is a family owned business and is run by Mr. Anil Kumar Jain, his wife Mrs. Sunita Jain, his son Mr. Anubhav Jain and daughter in law - Mrs. Anukampa

Jain. HPPL has a manufacturing facility located at Pantnagar, Uttrakhand. The company is engaged in the manufacturing and sale of PET preforms, bottles and jars, thermoplastic wheels and plastic caps. Products of the company are used by clientele in the beverage, cosmetics, confectionary, juices, edible oil, pharmaceuticals and distilleries businesses.

Financials (Rs. Crores)

For the year ended / As on	**31-03-2017**	**31-03-2018**
	Audited	**Provisional**
Total Operating Income	25.88	26.74
EBITDA	4.19	3.94
PAT	0.51	0.47
Total Debt	17.54	17.34
Total Debt (excluding subordinate debt)	16.25	15.74
Tangible Net Worth	7.15	7.73
Ratios		
a. EBITDA Margin	16.19	14.74
b. PAT Margin	1.94	1.75
c. Overall Gearing ratio*	2.27	2.04

*Excluding subordinate debt

Note: Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Brickwork Ratings which has earlier rated the company, has classified it as "Issuer Not Cooperating" category due to non submission of information as per Press Release dated January 31, 2018.

Any other information: Nil

Disclosure:

Rating History for last three years:

S. No.	**Name of Instrument/Facilities**	**Current Rating (Year 2018-19)**			**Rating History for the past 3 years**		
		Type	**Amount outstanding (Rs. Crores)**	**Rating**	**Date(s) & Rating(s) assigned in 2017-18**	**Date(s) & Rating(s) assigned in 2016-17**	**Date(s) & Rating(s) assigned in 2015-16**

1.	Term Loan	Long term	6.80	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	--	--	--
2.	Fund Based facilities (CC) (including proposed limit of Rs. 0.30 Crores)	Long term	7.80	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)			
3.	Non fund based facilities (LC/BG) (including proposed limit of Rs. 2.0 Crores)	Short term	6.00	IVR A4+ (IVR A Four Plus)			

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.

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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.

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Annexure I: Details of Facility

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility(Rs. Crores)	Rating Assigned/ Outlook
Term Loan	Present outstanding	-	Varying maturities till December 2024	6.80	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)
Cash Credit	-	-	-	7.80 (including proposed limit of Rs. 0.30 Crores)	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)
Letter of Credit/ Bank Guarantee	-	-	-	6.00 (including proposed limit of Rs. 2.00 Crores)	IVR A4+ (IVR A Four Plus)