

December 19, 2022

Shriji Polymers India Limited: Update on material event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Long-term Fund-based/ Cash Credit	91.0	91.0	[ICRA]A+(Stable)
Long-term Fund-based/ Term Loan	73.97	73.97	[ICRA]A+(Stable)
Long-term Non-fund Based	20.0	20.0	[ICRA]A+(Stable)
Short-term Non-fund Based	67.50	67.50	[ICRA]A1
Long-term/ Short-term – Unallocated	4.75	4.75	[ICRA]A+(Stable)/ [ICRA]A1
Total	257.22	257.22	

*Instrument details are provided in Annexure-1

Rationale

Shriji Polymers India Limited (SPIL) has acquired a majority stake in Parekhplast India Limited (PIL). PIL is engaged in manufacturing rigid packaging for various industries; however, majority of its revenues come from the paints industry. SPIL acquired 76% stake in PIL for Rs. 133 crore at a valuation of Rs. 175 crore. The purchase was made through utilisation of existing free cash balances and liquid investments, coupled with internal accruals.

The acquisition is expected to lend end-user industry diversification to SPIL, which had been deriving its revenues mainly from the pharmaceuticals industry. The company is expected to leverage the widespread geographical presence of PIL through its four operational plants at Palghar (Maharashtra), Khandala (Maharashtra), Visakhapatnam (Andhra Pradesh) and Hyderabad (Telangana). In addition, SPIL's scale is expected to improve as PIL had reported operating income of ~Rs. 189.2 crore with operating profit (OPBITDA) of Rs. 22.7 crore, profit after tax (PAT) of Rs. 6.0 crore, gearing of 1.7 times and TD/OPBITDA (Total Debt -to- Operating Profit) of 2.4 times. However, the margin profile is expected to moderate, given the low operating margin of PIL. With SPIL utilising its internal accruals for the acquisition, its reliance on working capital limits has increased. Moreover, PIL holds working capital and term debt. Thus, ICRA expects SPIL's coverage indicators to moderate in the near to medium term; albeit remaining comfortable in relation to the rating category. ICRA notes that SPIL has deferred its own capex and associated debt-funding plans to an extent. ICRA understands that the company is in talks with the bankers to reduce the interest cost of PIL's exposure following the acquisition.

In terms of liquidity, while cash levels have reduced and working capital utilisation has gone up after the acquisition, ICRA notes that SPIL has a moderate cushion of Rs. 26 crore in its enhanced working capital limits and further free cash balances of Rs. 8 crore. In FY023, SPIL has a debt repayment of ~Rs. 22 crore at the standalone level and further moderate repayments in PIL. ICRA expects the company to meet its near-to-medium term commitments through internal accruals.

While SPIL is expected to witness diversification and scale benefits, ICRA will continue to monitor its operational and financial performance, taking appropriate rating action as and when required.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, the liquidity position, rating sensitivities, and key financial indicators: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating approach- Consolidation
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of SPIL. The list of consolidated companies is shared in Annexure-2 .

About the company

SPIL manufactures High-density Polyethylene (HDPE) containers/ bottles and polypropylene (PP) caps/ closures for packaging pharmaceutical products, which are exported primarily to regulated markets such as the US, Canada and China by the company's clients. SPIL is a Drug Master Files (DMF) holder of the USFDA, Canadian FDA and Chinese FDA. It is an ISO (15378, 9001 & 13485) certified pharma packaging company. The company's manufacturing facilities are in Ujjain (Madhya Pradesh), Pithampur SEZ (Madhya Pradesh), Goa, Hyderabad, Baddi (Himachal Pradesh), Ahmedabad, China and the US, with a combined annual plant capacity of ~20,721 MTPA as on March 31, 2022. The company is expanding its capacity in its Ujjain plant and Pithampur SEZ as well. In FY2023, SPIL has already achieved Rs. 320 crore of revenue (till October 2022).

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

S.No.	Instrument	Current Rating (FY2023)					Chronology of rating history for the past 3 years			
		Type	Amount Rated	Amount Outstanding	Current Rating		FY2022	FY2020	FY2019	
					19-Dec-22	28-Jul-22				
1	Cash Credit	Long Term	91	-	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A (Positive)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)
2	Term Loan	Long Term	73.97	72.8	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A (Positive)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)
3	Non-fund Based Limit	Long Term	20	-	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A (Positive)	[ICRA]A1	[ICRA]A1	[ICRA]A1
4	Non-fund Based Limit	Short Term	67.5	-	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A (Stable)	[ICRA]A (Stable)	-
5	Non-fund Based Limit	Long Term/ Short Term	0	-	-	-	[ICRA]A (Positive)/ [ICRA]A1	[ICRA]A (Stable)/ [ICRA]A1	-	-
6	Unallocated Limit	Long Term/ Short Term	4.75	-	[ICRA]A+ (Stable)/ [ICRA]A1	[ICRA]A+ (Stable)/ [ICRA]A1	[ICRA]A (Positive)/ [ICRA]A1	[ICRA]A (Stable)/ [ICRA]A1	[ICRA]A (Stable)/ [ICRA]A1	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long-term Fund-based/ Cash Credit	Simple
Long-term Fund-based/ Term loan	Simple
Long-term/ Non-fund Based	Very Simple
Short-term/ Non-fund Based	Very Simple
Long-term/Short-term – Unallocated	NA

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: [Click Here](#)

Annexure-I: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	-	NA	-	91	[ICRA]A+ (Stable)
NA	Term Loan	FY2014	NA	FY2026	73.97	[ICRA]A+ (Stable)
NA	Non-fund Based Limit	-	NA	-	20	[ICRA]A+ (Stable)
NA	Non-fund Based Limit	-	NA	-	67.5	[ICRA]A1
NA	Unallocated Limit	-	NA	-	4.75	[ICRA]A+ (Stable)/ [ICRA]A1

Source: Company

Annexure-II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Direct Subsidiary		
Four M Propack Private Limited	100.00%	Full Consolidation
Shriji LLC	90%^	Full Consolidation
Parekhplast India Limited	76%	Full Consolidation*
Joint Venture		
Shriji Polymers (Hubei) Limited	49.00%	Proportionate Consolidation

Source: Company * from FY2023 onwards

ANALYST CONTACTS

Shamsher Dewan

+91 124 4545328

shamsherd@icraindia.com

Kinjal Shah

+91 022 61143400

kinjal.shah@icraindia.com

Nishant Misra

+91 124 4545862

nishant.misra@icraindia.com

Sheetal Sharad

+91 124 4545374

sheetal.sharad@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee

+91 80 4332 6401

jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



© Copyright, 2022 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.