October 17, 2024

SI Interpack Private Limited: Ratings assigned for bank facilities; reaffirmed for issuer rating

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Issuer Rating	-	-	[ICRA]BBB- (Stable); Reaffirmed
Long Term / Short Term-Fund Based/Non Fund Based-Proposed Bank Facilities		25.00	[ICRA]BBB-(Stable) / [ICRA]A3; Assigned
Total	**-**	**25.00**	

**Instrument details are provided in Annexure-I*

Rationale

While assigning the credit rating, ICRA has taken a consolidated view of SI Interpack Private Limited (SI Interpack) and its holding company (Reciq Enterprises Private Limited), given the high degree of operational, financial, and managerial linkages between the entities.

The rating action factors in the established presence of SI Interpack in the automotive seating trim manufacturing industry. The entity has long established relationships and healthy share of business with leading automotive seating manufacturers. The company caters to various Tier-I auto components suppliers such as Lear Automotive India Private Limited, TM Automotive Seatings System Private Limited, Uno Minda Limited etc., which then supply assembled sub-part to various major original equipment manufacturers (OEM), such as Tata Motors Limited, Mahindra & Mahindra Limited, JSW MG Motor India Private Limited, Honda Cars India Limited, Royal Enfield Motors Limited, TVS Motor Company etc. The company has also recently forayed into supply of ornamental pieces and accessories to some OEMs, even as the contribution of this business is only expected to improve gradually.

The company was earlier promoted by Mrs. Puja Khullar and Mr. Ajit Khullar. In September 2023, the Soni family led by Mr. Parvesh Soni acquired a majority stake (combined stake of ~74%) in the company. While a 57.25% stake has been acquired through Reciq Enterprises Private Limited (Reciq Enterprises), the remaining stake has been acquired directly by the promoters. The funding for the deal was done via debt raised at both Reciq Enterprises and SI Interpack. ICRA notes that there exists a cross-default clause for the debt availed by both the entities. Additionally, as per the terms of the debentures, SI Interpack has entered into a management agreement to pay management fee to Reciq Enterprises to facilitate the debt repayment by the holding company. The consolidated entity has a comfortable capital structure. Additionally, aided by an improvement in margins post the acquisition (on account of various cost efficiency measures), the return indicators of the consolidated entity remain healthy and provide comfort.

The company remains exposed to customer and segment concentration risks, with the bulk of the revenues derived from supplies of automotive seating trims for the passenger vehicle industry. As a part of the transaction, the travel bags business being undertaken by SI Interpack earlier (till H1 FY2024) was shifted to an entity of the erstwhile promoters. Any demand slowdown in the passenger vehicle industry could constrain the cash flows for the entity. Additionally, the debt servicing obligations for the entity over the next two fiscals remain high, leading to moderate debt coverage indicators. ICRA also notes that the debt availed by both the entities has a material repayment due at the end of their tenure (November 2026). The ability of the company to timely refinance the debt availed well ahead of the maturity remains a key monitorable.

The Stable outlook on the company's long-term credit profile reflects ICRA's view that SI Interpack's credit profile is likely to remain at similar levels, aided by the vast experience of the promoters in the automotive industry and the established relationships with various customers, which are likely to help the company record steady cash flows.

Key rating drivers and their description

Credit strengths

Established presence in automotive trim manufacturing industry; long relationships with clients and healthy share of business – SI Interpack is a key supplier of trims to various tier-I auto component suppliers and OEMs with a healthy share of business of 85-90% across its customers. This healthy share of business is expected to continue, going forward, on the back of incremental business from the OEMs, providing healthy revenue visibility over the medium term. The company is also in discussion with other OEMs for additional business, with a view of ramping up the scale of operations.

Comfortable capital structure, healthy return indicators – The consolidated entity has a comfortable capital structure, reflected in a gearing (Total Debt/Tangible net worth) of 1.2 times in FY2024. The entity also recorded strong return indicators (core RoCE of 40% in FY2024), aided by an improvement in margins and a healthy scale of operations. A continuation of steady cash flows is expected to help the company continue to report a healthy profitability, going forward.

Credit challenges

Exposed to customer and segment concentration risks – SI Interpack operates primarily in trims business and supplies trims to various tier-I auto components suppliers. The contribution from other business segments (ornamental pieces and accessories) remains low as on date (~Rs. 7 crore in FY2024). The company also remains exposed to customer concentration risks, with ~60% of its revenues emanating from its top-3 customers. However, the company continues to maintain strong relationships with the existing customers and has generated repeat business from them, which provides comfort and help mitigate the risk to an extent. Over the medium term, an improvement in the scale of operations of the accessories business segment is also likely to lead to some diversification in the business profile.

Moderate debt coverage indicators – The promoters of the entity had financed the acquisition of SI Interpack Private Limited through NCDs (at both the operating and holding company levels), which resulted in material debt repayments for the company over the near-to-medium term. However, the company has seen significant turnaround in terms of margins and scale post-acquisition, which helped the company report moderate debt coverage indicators. The same is expected to continue over the medium term (DSCR expected to be at 1.5-1.6 times over FY2025-FY2026).

Liquidity position: Adequate

SI Interpack's liquidity position remains **adequate,** characterised by expectation of steady cash flow from operations (Rs. 24-26 crore in FY2025) and cash balance of ~Rs. 8 crore as of September 13, 2024. The company has repayment obligations of ~Rs. 20 crore in FY2025. It has moderate capex planned for H2 FY2025 (Rs. 2-3 crore) towards plant upgradation and maintenance, which are expected to be met through internal accruals.

Rating sensitivities

Positive factors – The rating could be upgraded in case of a significant scale-up in revenues and profitability of the company, leading to an improvement in its debt protection metrics. An improvement in the liquidity position would also remain critical for a rating upgrade.

Negative factors – The rating could be downgraded in case of any adverse impact on the revenue/ profitability of the company, resulting in debt protection metrics. Further, any large debt-funded capex or a stretch in the working capital cycle, adversely impacting the liquidity position of the company, can trigger a downward rating revision. Specific credit metrics that could result in downgrade include DSCR lower than 1.4 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Auto Components
Parent/Group support	Not Applicable
Consolidation/Standalone	While assigning the credit rating, ICRA has taken a consolidated view of SI Interpack Private Limited and its holding company, given the high degree of operational, financial, and managerial linkages between the entities. The list of entities consolidated have been mentioned in Annexure 2.

About the company

SI Interpack is one of the leading manufacturers of seat trims for the domestic automotive sector. It also manufactures ornamental pieces for cars and buses. The company is a Tier-II supplier and supplies to leading Tier-I suppliers. It has 12 manufacturing units across the country with a capacity to produce around 1 lakh trim units per month. Its product range includes car seat trims, bus seat trims, railway seat trims, car head rest and stay rods, cinema seat trims and ornaments etc. The company was earlier promoted by Ms. Puja Khullar and Mr. Ajit Khullar. In September 2023, the Soni family, led by Mr. Parvesh Soni, acquired the majority stake (combined stake of ~74%) in the company.

Key financial indicators (Audited)

SI Interpack Private Limited (Consolidated)	FY2024
Operating income	753.7
PAT	19.3
OPBDIT/OI	5.1%
PAT/OI	2.6%
Total outside liabilities/Tangible net worth (times)	3.7
Total debt/OPBDIT (times)	1.8
Interest coverage (times)	6.1

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)						Chronology of rating history for the past 3 years					
	FY2025						FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs Crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Issuer Rating	Long Term	-	**Oct 17, 2024**	[ICRA]BBB- (Stable)	Oct 03, 2024	[ICRA]BBB- (Stable)	-	-	-	-	-	-
Proposed Bank Facilities	Long Term / Short Term-	25.00	**Oct 17, 2024**	[ICRA]BBB- (Stable) / [ICRA]A3	-	-	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Issuer Rating	Not applicable
Long Term / Short Term-Fund Based/Non Fund Based-Proposed Bank Facilities	Simple

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 are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Issuer Rating**	-	-	-	-	[ICRA]BBB- (Stable)
NA	**Long Term / Short Term-Fund Based/Non Fund Based-Proposed Bank Facilities**	-	-	-	25.0	[ICRA]BBB-(Stable) / [ICRA]A3

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Reciq Enterprises Private Limited	Parent Entity (owns 57.25% stake in SI Interpack)	Full consolidation

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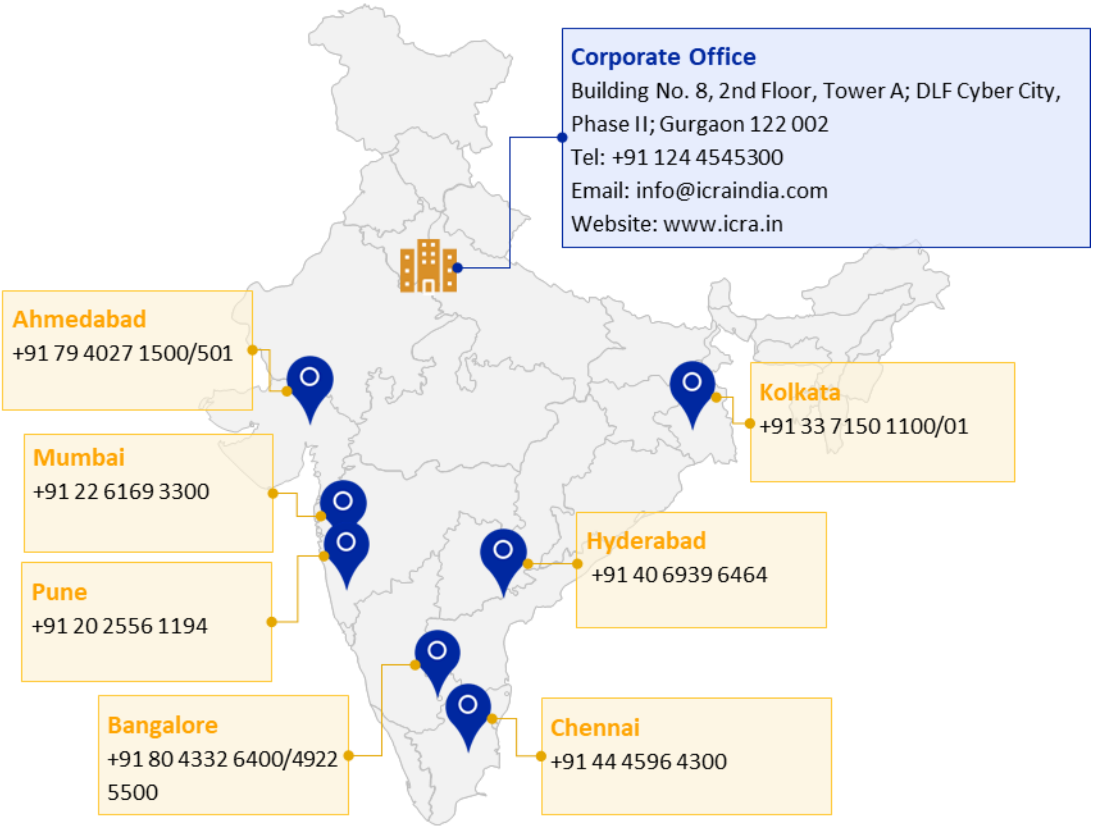

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