

Rating Advisory

May 22, 2020 | Mumbai

Innovative Tech Pack Limited

Advisory as on May 22, 2020

This rating advisory is provided in relation to the rating of Innovative Tech Pack Limited

The key rating sensitivity factors for the rating include:

Upward

- * Improvement in operating income and operating margins to upwards of 20 %
- * Improvement in cash accruals
- * Improvement in current ratio.

Downward

- * Decline in operating income by more than 10% in comparison to fiscal 2019
- * Further decline in operating profitability in comparison to fiscal 2019
- * Debt funded capital expenditure weakening the financial risk profile

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL is yet to receive adequate information from Innovative Tech Pack Limited (ITPL) to enable it to undertake a rating review. CRISIL is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

If ITPL continues to delay the provisioning of information required by CRISIL to undertake a rating review then, in accordance with circular SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016 and SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/2017/ 71 dt June 30, 2017 issued by Securities and Exchange Board of India, CRISIL will carry out the review based on best available information and issue a press release.

About the Group

ITPL was set up by Mr K Sayaji Rao in 1989. The company manufactures polyethylene terephthalate (PET) bottles, jars, caps, and containers for the fast-moving consumer goods, food and beverage, and pharmaceutical industries. Manufacturing facilities are in Rudrapur, Uttarakhand; Baddi, Himachal Pradesh; and Guwahati, with total capacity of 1,25,00 tonne per annum (tpa) of PET products and polypropylene processing capacity of 1,200 tpa.

Jauss, based in Baddi, manufactures bottles, jars, caps, containers, and related products. Both companies are listed on the Bombay Stock Exchange.

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Rating Rationale

August 30, 2019 | Mumbai

Innovative Tech Pack Limited

Ratings migrated to 'CRISIL BBB-/Stable/CRISIL A3'

Rating Action

Total Bank Loan Facilities Rated	Rs.17 Crore
Long Term Rating	CRISIL BBB-/Stable (Migrated from 'CRISIL BBB-/Stable ISSUER NOT COOPERATING**')
Short Term Rating	CRISIL A3 (Migrated from 'CRISIL A3 ISSUER NOT COOPERATING**')

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

**Issuer did not cooperate; based on best-available information*

Detailed Rationale

Due to inadequate information, CRISIL, in line with the Securities and Exchange Board of India guidelines, had migrated its ratings on the bank facilities of Innovative Tech Pack Limited (ITPL; part of the Innovative group) to 'CRISIL BBB-/Stable/CRISIL A3 Issuer Not Cooperating'. However, management has now shared the requisite information for a comprehensive review of the ratings. Consequently, CRISIL is migrating its ratings to '**CRISIL BBB-/Stable/CRISIL A3**' from 'CRISIL BBB-/Stable/CRISIL A3 Issuer Not Cooperating'.

The ratings reflect the established market position of the Innovative group's promoter in the plastic packaging industry, established relationship with customers, and above-average financial risk profile. These strengths are partially offset by exposure to moderately high customer concentration and intense competition.

Analytical Approach

For arriving at its ratings, CRISIL has combined the business and financial risk profiles of ITPL and Jauss Polymers Ltd (Jauss). This is because both the companies, together referred to as the Innovative group, are in the same business and have significant operational and financial linkages. ITPL has a majority stake in, and is involved in the operations of, Jauss.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

* **Strong market position and established relationship with key customers:** Benefits from the nearly three decade-long experience of promoter, his keen grasp of local market dynamics and insights into the packaging industry, and established relationship with customers and suppliers will continue.

* **Above-average financial risk profile:** As on March 31, 2019, networth and gearing were comfortable at Rs 52.62 crore and around 0.76 time, respectively. Interest coverage and net cash accrual to total debt ratios were robust at 2.7 times and 0.34 time, respectively, for fiscal 2019.

Weaknesses:

* **Customer concentration in revenue:** With Dabur India Ltd (Dabur) accounting for nearly 45% of revenue in fiscal 2019, the group has significant exposure to customer concentration. However, acquisition of clients such as Patanjali Ayurved Ltd, Perfetti Van Melle India Pvt Ltd, Godrej Group, Emami Ltd, and more recently Marico Ltd has helped diversify clientele and lowered Dabur's revenue contribution from 69% in fiscal 2011.

* **Exposure to intense competition:** Though large, organised players such as the Innovative group offer superior-quality products at competitive rates, backed by economies of scale and access to advanced technology; they face competition from numerous players catering to local customers.

Liquidity: Adequate

Bank limit utilisation was moderate at 69% during the 12 months through June 2019. Net cash accrual estimated at Rs 16 crore in fiscal 2020 and expected at Rs 20 crore in fiscal 2021, against Rs 13 crore maturing debt obligation. Current ratio remained low at 0.94 time as on March 31, 2019.

Outlook: Stable

CRISIL believes the Innovative group will continue to benefit from its established and longstanding relationship with customers.

Rating Sensitivity Factor

Upward Factor

- * Improvement in operating income and operating margins to upwards of 20 %
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Downward Factor

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About the Group

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Key Financial Indicators

Particulars	Unit	2019	2018
Revenue	Rs crore	144.44	124.15
Profit After Tax (PAT)	Rs crore	2.68	3.20
PAT Margin	%	1.90	2.60
Adjusted debt/adjusted networth	Times	1.07	1.01
Interest coverage	Times	2.60	2.60

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs Cr)	Rating Assigned with Outlook
NA	Cash Credit	NA	NA	NA	8.0	CRISIL BBB-/Stable
NA	Letter of Credit	NA	NA	NA	9.0	CRISIL A3

Annexure - List of Entities Consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Innovative Tech Pack Limited	Full	Common management and engaged in the same line of business
Jauss Polymers Limited	Full	Common management and engaged in the same line of business

Annexure - Rating History for last 3 Years

Instrument	Current			2019 (History)		2018		2017		2016		Start of 2016
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	15.00	CRISIL BBB-/Stable	27-06-19	CRISIL BBB-/Stable (Issuer Not Cooperating)*	07-08-18	CRISIL BBB/Stable			28-11-16	CRISIL BBB/Stable	CRISIL BBB-/Stable
						15-03-18	CRISIL BBB/Stable					
Non Fund-based Bank Facilities	LT/ST	13.00	CRISIL A3	27-06-19	CRISIL A3 (Issuer Not Cooperating)*	07-08-18	CRISIL A3+			28-11-16	CRISIL A3+	CRISIL A3
						15-03-18	CRISIL A3+					

All amounts are in Rs.Cr.

*Issuer did not cooperate; based on best-available information

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit	8	CRISIL BBB-/Stable	Cash Credit	8	CRISIL BBB-/Stable/Issuer Not Cooperating
Letter of Credit	9	CRISIL A3	Letter of Credit	9	CRISIL A3/Issuer Not Cooperating
Total	17	--	Total	17	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Framework for Assessing Information Adequacy Risk](#)

[Rating criteria for manufacturing and service sector companies](#)

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