

BDG Shanti Polypack Private Limited

September 06, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	25.50	CARE BB+; Stable	Assigned
Short Term Bank Facilities	12.25	CARE A4+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of BDG Shanti Polypack Private Limited (BDGSL) is constrained by intense competition due to low entry barriers, moderate capital structure and debt coverage matrices and profitability being susceptible to fluctuation in raw material prices.

The ratings however derive strength from the experience of its promoters with long track record of operation, portfolio of diversified clientele and initial and small scale of operations.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operation (turnover > Rs. 75 crore) while maintaining operating margins above 12% on a sustained basis.
- Improvement in TD/GCA below 5x.

Negative factors

- Decline in total operating income below envisaged levels on a sustained basis.
- Increase in debt levels leading to notable deterioration in the capital structure.

Analytical approach: Standalone

Outlook: Stable

Stable outlook is assigned based on the ability of the company and promoters to sustained and improve the financial performance as envisaged.

Detailed description of the key rating drivers:

Key weaknesses

Moderate capital structure and debt coverage matrices: BDGSL is in its initial stages of operations with the plant achieving its COD in Oct'22. As a result, the debt profile of the company consists mainly of term loan taken for the project along with working capital required for the operations.

The company's overall gearing stood at 2.37x as on March 31, 2023, which is expected to improve going ahead with the gradual repayment of debt and ramping up of production leading to better profitability and reserves. The interest coverage of the firm stood comfortable at 2.14x for FY23.

Profitability susceptible to fluctuation in raw material prices: The company purchases bulk of its major raw material - Low density polyethylene (LDPE) granules from Reliance Industries Limited (RIL) which is the market leader in the manufacturing of LDPE granules which exposes BDGSL to supplier concentration risk and providing little bargaining power. Further, LDPE being a petroleum derivative is highly susceptible to change in crude oil prices which cannot be immediately passed on to the customers. Hence, the profitability of BDGSL is susceptible to fluctuation in raw material prices.

Intense competition due to low entry barriers: BDGSL faces intense competition due to the presence of several local market players in the plastic fabrics industry on account of low entry barriers. This restricts the company's ability to transform itself into a price maker.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Key strengths

Experienced promoters with long track record of operation: The promoters have been in the plastic and plastic products industry for more than two decades through manufacturing of plastic products in a group company based in Daman which was later converted into manufacturing unit for Polyethylene (PE) sheets. The same has helped the group set up the plant for BDGSL and also establish reputable relationship with their diversified clientele. The day-to-day operations of the company are looked after by Mr. Alok Goyal (M.D) along with the support from a team of experienced professional. Mr. Alok Goyal is part of the Goyal group of companies which is also present in iron and steel sector through group company BDG Metal & Power Limited.

Portfolio of diversified clientele: BDGSL supplies its products to a pool of customers. The diversified clientele helps the company to pass on some of its raw material costs to its customers which helps boost its margins albeit the top 10 customers account to 63% of total sales in FY23. As the scale grows going forward, the company will look to dilute its client concentration risk further to help sustain its margins.

Initial albeit growing scale of operations: The plant commenced production towards the tail end of Q2FY23 (August '22) and generated TOI of Rs. 15.53 crores in full year FY23. In its first full year of operation in FY24, the company expects to stabilise its operations and generate substantial improvement in TOI.

In Q1FY24, BDGSL generated revenue of around Rs. 10 crores.

Liquidity: Adequate

The company has adequate liquidity position with only around 16% utilisation of its fund based limits as on March 31, 2023 (total limit of Rs.13 crore) and average utilisation of 12% in 12 months ending July 2023. The company has a debt repayment obligation of Rs.2.40 crore in FY24 against which it is expected to generate sufficient cash accruals.

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

[Policy on Withdrawal of Ratings](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Consumer Durables	Consumer Durables	Plastic Products - Consumer

Incorporated in 2020 by Mr. Alok Goyal, BDG Shanti Polypack Limited (BDGSL) is a private limited company that manufactures and trades plastic fabrics and bags that are used as sacks in packaging of cement and potato. The company operates at an installed capacity of 3000 MTPA and its plant is located in Barjora West Bengal. The plant commenced operations in August 2022. BDGSL is part of the Goyal group of companies which includes entities like BDG Power & Metal Ltd which is an integrated TMT bar manufacturer. The day-to-day operations of the company are looked after by Mr. Alok Goyal along with the support from a team of experienced professional.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (P)
Total operating income	0.00	15.54
PBILDT	0.00	1.89
PAT	0.00	0.37
Overall gearing (times)	0.00	2.37
Interest coverage (times)	0.00	2.14

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	13.00	CARE BB+; Stable
Fund-based - LT-Term Loan		-	-	October 2028	12.50	CARE BB+; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	3.25	CARE A4+
Non-fund-based - ST-Letter of credit		-	-	-	9.00	CARE A4+

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Non-fund-based - ST-Bank Guarantee	ST	3.25	CARE A4+				
2	Fund-based - LT-Cash Credit	LT	13.00	CARE BB+; Stable				
3	Fund-based - LT-Term Loan	LT	12.50	CARE BB+; Stable				
4	Non-fund-based - ST-Letter of credit	ST	9.00	CARE A4+				

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple
4	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

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About us:

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