

Frystal Pet Private Limited

July 27, 2022

Rating

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	30.00 (Enhanced from 12.00)	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Rating removed from ISSUER NOT COOPERATING category and Revised from CARE B-; (Single B Minus); Stable outlook assigned
Total Bank Facilities	30.00 (₹ Thirty Core Only)		

Details of instruments/facilities in Annexure-1.

In the absence of minimum information required for the purpose of rating, CARE Ratings Ltd was unable to express an opinion on the rating of Frystal Pet Private Limited and in line with the extant SEBI guidelines, CARE Ratings Ltd reaffirmed the rating of bank facilities of the company to 'CARE B-; Stable; ISSUER NOT COOPERATING*'. However, the company has now submitted the requisite information to CARE Ratings Ltd. CARE Ratings Ltd has carried out a full review of the ratings and the rating stand at 'CARE BB+; Stable'

Detailed rationale and key rating drivers

The revision in the rating of Frystal Pet Private Limited factors in the growth in scale of operations, improvement in overall financial risk profile marked by improvement in profitability margins, capital structure and debt coverage indicators. The rating further continues to derive strength from experienced promoters, comfortable operating cycle and new client acquisition.

The rating, however, continues to remain exposed to constraints like increased debt, small scale of operations and its exposure to intense competition in the industry.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Sustained PAT and PBILDT margins of 4% and 12% respectively
- Increase in scale of operations beyond Rs.120cr on sustained basis

Negative factors – Factors that could lead to negative rating action/downgrade:

- Increase in overall gearing beyond 3 times
- Increase in operating cycle above 120 days

Detailed description of the key rating drivers

Key rating strengths

Experienced promoters: Frystal Pet Private Limited is currently managed by Mr. Rakesh Kumar, Mr. Nishit Singhal and Mr. Mayur Singhal. They look after the overall operations of the company. Mr. Rakesh Kumar is graduate by qualification having an experience of four decades in various industries such as bricks manufacturing in his individual capacity and through his association with this entity. Mr. Nishit Singhal is a postgraduate by qualification having more than half a decade of experience in same industry in his individual capacity and through his association with this entity. Prior to this, he had 2 years of experience as a software engineer in Infosys. Mr. Mayur Singhal is a graduate and has 6 years of experience through his association with this entity.

Significant growth in scale of operations: The income from operations has increased from 57.71 crores in FY21 (Audited) to 93.25 in FY22 (Audited), an increase of 62%. The increase is because of the increased client base of the company and subsequent increase in capacity utilization. The company has added new customer during the year, leading to better capacity utilization. The company is now supplying to 8 Bisleri plant, Dabur, Jayanti Jaljeera and other. Also, during Q1FY23, the company has already generated sales of 44cr.

Improvement in overall financial risk profile: The PBILDT margin for the year FY22 was at 10.21% which was 10.13% in FY21, the PAT margin for the year FY22 was at 2.94% which was 1.32% in FY21. Also, with the same margin and increase in scale of operations, the GCA has doubled to Rs.6.05cr during FY22 as compared to Rs.3cr during FY21. The overall gearing has also improved at the end of FY22 due to accretion of profit to the net worth. The improvement in gearing was despite of the

¹Complete definition of the ratings assigned are available at HYPERLINK "<http://www.careedge.in>" www.careedge.in and other CARE Ratings Ltd.'s publications

increase in term loan taken for the capital expenditure during the year. Also, with the improvement in profitability the interest coverage has improved to more than 3 times during FY22 as compared to 2.22 times during FY21.

Comfortable operating cycle: The operating cycle has decreased from 148 days in FY21 (A) to 111 days in FY22 (Prov.) on account of reduced collection period and inventory cycle. For FY22 the collection period has decreased by 16 days and inventory days has reduced by 39 days.

Key rating weaknesses

Small Scale of operations: The scale of operations has grown from last year by 61.5%, although it remained small which limits the company's financial flexibility in terms of stress and deprive it of scale benefits.

Raw Material Price Volatility: Resin is the main raw material used for the production of pet preform which the company procure domestically. Since it is a petrochemical derivative, FPPL is exposed to the risk of volatility in the prices of crude oil/natural gas. However, due to the prevailing market practice of resetting the prices of PET bottles in the domestic market at the end of each month, following the fluctuation in the prices of PET resins, the producers in the market are shielded from the volatility to a certain extent. Also, the company pricing is based on the raw material plus conversion charges, which also reduces the raw material pricing risk to larger extent.

Highly competitive industry: FPPL operates in a highly competitive market for PET bottles marked by the presence of many players in the unorganized sector, which accounts for more than 70% of the total domestic turnover. The industry is characterized by low entry barriers due to low technological inputs and easy availability of standardized machinery for the production and bottle manufacturing industry in India is highly competitive.

Liquidity: Adequate

The company has current long-term debt of 4.02cr which needs to be paid this year, the company is able to generate more than enough cash flow to meet their debt obligations, their average fund based working capital utilization is also 61.87% which gives them enough cushion of funds which can be used in the time of requirement.

Analytical approach: Standalone

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Manufacturing Companies](#)

About the company

New Delhi based, Frystal Pet Private Limited was incorporated in 2010 and managed by Mr. Rakesh Kumar, Mr. Nishit Singhal and Mr. Mayur Singhal. The company is engaged in manufacturing of pet preform which is in the form of capsule and is used to make the plastic bottles with an installed capacity of 8925 tons Pet preform per year at its manufacturing facility located in Rajasthan.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	Q1FY23 (P)
Total operating income	57.71	93.25	47.86
PBILDT	5.84	9.55	NA
PAT	0.76	3.03	NA
Overall gearing (times)	3.62	2.88	NA
Interest coverage (times)	2.22	3.36	NA

A: Audited, NA: Not Available, P: Provisional

Status of non-cooperation with previous CRA: Acuite (SMERA) BB- Issuer did not co-operate; Based on best available information (29-Jul-2021), Brickwork B+ /A4; Stable Issuer did not co-operate; Based on best available information (06-Jun-2022), Infomerics BB- /A4, Issuer did not co-operate; Based on best available information (13-May-2022).

Any other information: Not Applicable

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

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

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	December 2027	14.68	CARE BB+; Stable
Fund-based - LT-Cash Credit		-	-	-	13.50	CARE BB+; Stable
Fund-based - LT-Proposed fund based limits		-	-	-	1.82	CARE BB+; Stable

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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	14.68	CARE BB+; Stable	-	1)CARE B-; ISSUER NOT COOPERATING* (30-Aug-21)	1)CARE B-; ISSUER NOT COOPERATING* (22-Jul-20)	1)CARE B; ISSUER NOT COOPERATING* (14-Jun-19)
2	Fund-based - LT-Cash Credit	LT	13.50	CARE BB+; Stable	-	1)CARE B-; ISSUER NOT COOPERATING* (30-Aug-21)	1)CARE B-; ISSUER NOT COOPERATING* (22-Jul-20)	1)CARE B; ISSUER NOT COOPERATING* (14-Jun-19)
3	Fund-based - LT-Proposed fund based limits	LT	1.82	CARE BB+; Stable	-	1)CARE B-; ISSUER NOT COOPERATING* (30-Aug-21)	1)CARE B-; ISSUER NOT COOPERATING* (22-Jul-20)	1)CARE B; ISSUER NOT COOPERATING* (14-Jun-19)

*Long term/Short term.

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

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Proposed fund based limits	Simple

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
3	Fund-based - LT-Term Loan	Simple

Annexure-5: Bank lender details for this company

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

Note on 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.

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