

## Synthiko Foils Limited

September 29, 2020

### Ratings

Facilities/Instruments	Amount (Rs. Crore)	Ratings <sup>1</sup>	Rating Action
Long term Bank Facilities	-	-	Reaffirmed and Withdrawn
Short term Bank Facilities	-	-	Reaffirmed and Withdrawn
<b>Total</b>	-		

*Details of facilities in Annexure-1*

### Detailed Rationale and Key Rating Drivers

CARE has reviewed the rating assigned to the bank facilities of Synthiko Foils Limited (SFL) to CARE BB-; Stable; Issuer Not Cooperating / CARE A4+; Issuer Not Cooperating and has simultaneously withdrawn it, with immediate effect. The reaffirmation in the ratings factor in the small scale of operations, moderately low profit margins, leveraged capital structure, moderately weak debt coverage indicators, working capital intensive nature of operations, susceptibility of profit margins to volatility of raw material prices, foreign exchange fluctuation risk, presence in highly competitive and fragmented nature of operations, established track record of operations with experience promoters and established relationship with diversified clientele.

The rating withdrawal is at the request of SFL and 'No Objection Certificate' received from the banks that have extended the facilities rated by CARE.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

**Small scale of operations with moderately low profit margins:** The scale of operations of SFL stood small with total operating income (TOI) remained in the range of Rs.21.94 crore to Rs.31.64 crore during FY18-FY20. The PBILDT and PAT margin of SFL stood low in the range of 4.41% to 6.45% and 1.41% to 1.92% respectively during the same period. Furthermore, tangible networth of the company also stood small at Rs.4.34 crore as on March 31, 2029 due to lower capitalization during past.

**Moderately weak debt coverage indicators:** The debt coverage indicators remained moderately weak due to the high reliance on debt with low cash accruals.

**Working capital intensive nature of operations:** The overall operations remained working capital intensive on account of long credit period given to its customers along with higher inventory maintained by the company to avoid adverse raw material price fluctuations. Furthermore, the company also extends the payments to its suppliers.

**Susceptibility of profit margins to volatility of the raw material prices with foreign exchange fluctuation risk:** The profit margins are susceptible to the volatile prices of raw material as aluminium prices remained highly fluctuating. Furthermore, the company imports significant raw materials from China, Indonesia & Thailand and hence, the foreign exchange fluctuation risk continues to persist, since any adverse currency movements would have a bearing on the purchase prices of the company and eventually its profitability.

**Presence in highly competitive and fragmented nature of operations:** SFL operates in the highly competitive and fragmented packaging industry where it faces intense competition from other established players from organized and unorganized sectors in the packaging industry across domestic and international markets. This is evidently reflected in the fluctuating profit margins, since the company is compelled to offer its products at competitive rates to its customers.

#### Key rating strengths

**Established track record of operations with experience promoters:** SFL has an established track record of over two decades of operations in the packaging industry in which it has established its strong relationships in the domestic and international markets. The operations of SFL are looked after by Dadhia family with Mr. Ramesh J Dadhia with around 45 years of experience and Mr. Bhavesh R. Dadhia has experience of 20 years in the packaging industry.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

**Established relationship with diversified clientele:** Over the years of operations, SFL has established long-term relationships with its customers based in pharmaceutical industry.

**Comfortable capital structure:** The capital structure of the company remained comfortable as it improved from 1.20 times as on March 31, 2019 to 0.97 times as on March 31, 2020 due to decrease in total debt on the back of lower utilization of working capital limits as on balance sheet date.

**Liquidity Analysis:**

The liquidity position is marked by low current ratio and quick ratio at 1.41 times and 0.95 times respectively as on March 31, 2020 (vis-à-vis 1.45 times and 1.07 times respectively as on March 31, 2019). Further, cash flow from operating activities stood positive at Rs.1.60 crore as on March 31, 2020. Moreover, free cash and bank balance was Rs.0.48 crore as on March 31, 2020 (vis-à-vis Rs.0.56 crore as on March 31, 2019).

**Analytical approach:** Standalone

**Applicable Criteria**

[Policy on Withdrawal of ratings](#)

[Policy in respect of Non-cooperation by issuer](#)

[CARE's default recognition policy](#)

[Criteria on assigning Outlook to Credit Rating](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology-Manufacturing Companies](#)

[Financial ratios - Non Financial Sector](#)

**About the company**

Synthiko Foils Limited (SFL) was incorporated in the year 1984 as a Pvt Ltd, commenced the operations from 1995 by Dhadhia family with Mr. Ramesh Dadhia and Mr. Bhavesh Dadhia as promoters. The company was converted to public limited in the year 1986 and listed on BSE in 1995. Presently, Mr. Ramesh J. Dadhia, Mr. Bhavesh R. Dadhia, Mrs. Sheetal Dadhia and Mr. Dilip Punjabi are the directors of the company. The company is into manufacturing of aluminum packaging foils including laminated, coated, plain & printed foils mainly for pharmaceutical industry. The product range offered by SFL comprises of Alu Alu Foils, Lidding Foil, Two Ply and Three Ply Laminates, Blister Foil, Printed Aluminum Foil, Laminated Aluminum Foil and Aluminum Foil Lids etc. which are offered in different sizes, shapes and thicknesses. SFL is a Drug Master File (DMF) certified company issued by U.S. Food and Drug Administration (FDA). SFL's has its plant situated at Palghar and registered office in Borivali, Mumbai

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total Operating Income	30.84	31.64
PBILDIT	1.43	1.40
PAT	0.44	0.46
Overall Gearing (times)	1.20	0.97
Interest coverage (times)	2.20	2.60

A: Audited

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not applicable

**Rating History (Last three years):** Please refer Annexure-2

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	0.00	Withdrawn
Non-fund-based - ST-Letter of credit	-	-	-	0.00	Withdrawn
Fund-based - LT-Term Loan	-	-	-	0.00	Withdrawn
Fund-based - LT-Term Loan	-	-	-	0.00	Withdrawn

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (07-Aug-19)	1)CARE BB-; Stable (14-Jun-18)	-
2.	Non-fund-based - ST-Letter of credit	ST	-	-	-	1)CARE A4+; ISSUER NOT COOPERATING* (07-Aug-19)	1)CARE A4+ (14-Jun-18)	-
3.	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (07-Aug-19)	1)CARE BB-; Stable (14-Jun-18)	-
4.	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (07-Aug-19)	1)CARE BB-; Stable (14-Jun-18)	-

**Annexure 3: Complexity level of various instruments rated for this Company**

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-Letter of credit	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

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