

February 22, 2013

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	4.25	SMERA BB-/Stable/Assigned
Standby Line of Credit	0.60	SMERA BB-/Stable/Assigned
Term Loan	3.16	SMERA BB-/Stable/Assigned
SME Car Loan	0.50	SMERA BB-/Stable/Assigned
Letter of Credit	0.75	SMERA A4+/Assigned

SMERA has assigned a rating of 'SMERA BB-' (read as SMERA Double B minus) to the Rs. 8.51 Crore long term facilities and 'SMERA A4+' (read as SMERA A four plus) to the Rs. 0.75 Crore short term facility of Mhetre Packaging Private Limited (MPPL). The outlook is 'Stable'. The ratings are constrained by MPPL's small scale of operations in a highly competitive and fragmented industry, below average financial risk profile characterized by high gearing, weak coverage indicators and negative working capital. However the ratings derive support from promoter's extensive experience and established track record in the corrugated boxes packaging industry, reputed clientele (Fleetguard Filters Private Limited, ITC Limited, Asian Paints Limited and Cargill India Private Limited) and long association of MPPL with Fleetguard Filters Private Limited.

MPPL is a small player in a highly unorganized and fragmented corrugated boxes packaging industry which is characterized by high competition due to presence of numerous small players & low entry barriers. MPPL has a weak capital structure on account of the recently completed capex which was funded predominantly by debt. Owing to this capex, company has increased the production capacity for corrugated boxes from 19,500 tpa to 23,500 tpa.

MPPL has negative working capital as on 31/Mar/2012 on account of higher payables, long term debts payable within one year and higher working capital utilization due to high level of inventory.

MPPL has high customer concentration; around 82% of MPPL's sales revenues in FY 2012 were made to Fleetguard Filters Private Limited. Furthermore, MPPL primarily caters to customers

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situated in and around Maharashtra which subjects it to geographic concentration as well. The company is looking to diversify its client base and has acquired new customers in the past two years like ITC Limited, Cargill India Private Limited & Asian Paints Limited; consequently, company's sales concentration to Fleetguard Filters has decreased to around 50% as per 9 monthly revenues for FY 2013.

The company has long standing presence of around 19 years in the corrugated box segment of packaging industry, with the key promoter, Mr. Dilip Dattatray Mhetre, having similar experience in manufacturing of corrugated boxes.

Outlook: Stable

MPPL has 'Stable' outlook. SMERA believes that MPPL will continue to benefit from management's extensive experience and established relationship with its customers and suppliers. However, the company's ability to enhance the scale of operation, broaden the client base and effectively manage its working capital will be the key rating sensitivities.

About MHETRE PACKAGING PRIVATE LIMITED

MPPL was established in the year 1994 as a Proprietorship Concern under the name of "Mhetre Packaging" by Mr. Dilip Dattatray Mhetre. In the year 2010, the constitution of the proprietorship concern was changed to Private Limited Company. MPPL is engaged in manufacturing of corrugated boxes. MPPL has its administrative office and factory at Daund (Maharashtra) and mainly caters to customers situated in and around Maharashtra.

MPPL's management team comprises of Mr. Dilip Dattatray Mhetre and Mr. Vikas Dattatray Mhetre having experience of around 19 years in related field.

MPPL is a closely held company and the management comprises of competent and qualified persons.

For FY 2012, MPPL reported a net profit of Rs. 0.28 crore on a total income Rs. 18.34 crore as against a net profit of Rs. 0.50 crore on a total income of Rs. 18.32 crore for FY 2011.

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Contact List

Media/Business Development	Analytical Contacts	Rating Desk
<p>Mr. Virendra Goyal, VP, SME – Sales Tel : +91 -22-67141177 Cell : +91 9930074009 Email: virendra.goyal@smera.in Web: www.smera.in</p>	<p>Mr. Charu Dutt Sharma, VP – Operations – SME Tel: +91-22-67141130 Cell: +91 9820751853 Email: charu.sharma@smera.in</p>	<p>Tel: +9122-67141128 Email: ratingdesk@smera.in</p>

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