



SMERA RATINGS LIMITED

Sehgal Packaging Private Limited (SPPL)

Rating Rationale

September 01, 2014

Facility	Amount (Rs. Crore)	Rating
Cash Credit	6.00	SMERA B/Stable (Assigned)

SMERA has assigned a rating of '**SMERA B' (read as SMERA single B)** to the abovementioned bank facility of Sehgal Packaging Private Limited (SPPL). The outlook is '**Stable**'. The rating is constrained by the company's below-average financial risk profile and low net profit margin in an intensely competitive segment of the packaging industry. The rating is also constrained by the susceptibility of the company's profit margins to volatility in raw material prices. However, the rating is supported by the company's experienced management.

SPPL, incorporated in 1999, is a Delhi-based company engaged in the manufacturing of cartons. SPPL's below-average financial risk profile is marked by high gearing (debt-equity ratio) of 5.18 times (provisional) as on March 31, 2014 and moderate interest coverage ratio of 1.71 times (provisional) in FY2013-14 (refers to financial year, April 01 to March 31). The company's net profit margin is low at 0.80 per cent (provisional) in FY2013-14. SPPL operates in an intensely competitive segment of the packaging industry. The company's profit margins are susceptible to volatility in prices of raw materials.

SPPL benefits from its experienced management. Mr. R. P. Sehgal, director of SPPL, has around two decades of experience in the packaging industry.

Outlook: Stable

SMERA believes SPPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected revenues and net cash accruals, or in case of deterioration in the company's financial risk profile and liquidity position.

About the company

SPPL, established in 1999, is a Delhi-based company promoted by Mr. R. P. Sehgal. SPPL is engaged in manufacturing of cartons. The company's product profile includes printed mono cartons, liner cartons, corrugated cartons and window-patched cartons.

For FY2012-13, SPPL reported net profit of Rs.0.31 crore on total income of Rs.20.33 crore, as compared with net profit of Rs.0.13 crore on total income of Rs.20.30 crore in FY2011-12. Further,

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the company registered revenues of Rs.28.00 crore (provisional) in FY2013-14. SPPL's net worth stood at Rs.2.91 crore (provisional) as on March 31, 2014, as compared with Rs.2.68 crore a year earlier.

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