

May 19, 2016

Facilities	Amount (Rs. Crore)	Rating
Term Loan	6.00*	SMERA B-/Stable (Reaffirmed)
Open Cash Credit	2.25**	SMERA B-/Stable (Reaffirmed)

*Includes FLC/ILC (DA/DP) as a sublimit (single transaction) to the extent of Rs.4.00 crore

**Includes ODBD as a sublimit to the extent of Rs.1.00 crore

SMERA has reaffirmed the rating of '**SMERA B-**' (read as **SMERA B minus**) on the Rs.8.25 crore bank facilities of Excle Paper Packaging Private Limited (EPPPL). The outlook is '**Stable**'. The rating continues to remain constrained by the weak financial risk profile, modest scale of operations and limited track record of business. However, the rating draws comfort from the company's reputed customers.

Update

Revenues of EPPPL have increased to Rs.13.08 crore in FY2014-15 (refers to financial year, April 01 to March 31) as compared to Rs.5.99 crore in FY2013-14 mainly on account of business stabilisation. Further, the company has earned gross revenues of around Rs.15.05 crore (provisional) in FY2015-16. While the company's operating margins improved to 10.24 per cent in FY2014-15, as compared to 4.47 per cent in FY2013-14, it continued to incur net losses in FY2014-15.

The company's overall gearing (debt-equity ratio) is high at 12.20 times as on March 31, 2015. The net worth stood low at around Rs.0.69 crore as on March 31, 2015. The interest coverage ratio and debt coverage ratio hit a low at 1.24 and 0.61 times respectively in FY2014-15.

Rating Sensitivity Factors

- Scaling up revenues while increasing profitability
- Improvement in the capital structure

Outlook: Stable

SMERA believes EPPPL will maintain a stable business risk profile over the medium term on account of its reputed customer base. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues while achieving healthy profit margins and comfortable working capital management. The outlook may be revised to 'Negative' in case of further deterioration in the revenue and profit margins.

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About the Company

EPPPL, incorporated in 2011, is a Patna-based company engaged in the manufacture of corrugated boxes. The company commenced commercial operations in FY2013-14. The overall operations are managed by Mr. Gunjan Khemka, Mr. Navin K. Motani and Mr. Rahul Khemka.

For FY2014-15, EPPPL reported net losses of Rs.0.84 crore on operating income of Rs.13.08, as compared to net losses of Rs.1.96 crore on operating income of Rs.5.99 crore in FY2013-14.

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