

Press Release

07 March, 2017

Baddi Foils Private Limited

Rating Upgraded

Total Bank Facilities Rated *	Rs.27.17 Cr
Long Term Rating	SMERA BB+/Stable
Short Term	SMERA A4+

**Refer Annexure for details*

Rating Rationale

SMERA has upgraded long-term rating of '**SMERA BB+**' (read as **SMERA BB plus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 27.17 crore bank facilities of Baddi Foils Private Limited. The outlook is '**Stable**'.

The Himachal-based BFPL is engaged in the manufacture of aluminium foils, ROPP caps and seals. The rating upgrade takes into account the improvement in profitability, coverage indicators and net cash accruals. Further, SMERA believes that the financial risk profile will improve in the near future on account of its healthy order book and improvement in working capital cycle backed by better realisation of debtors.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters, Mr. Sanjay Khurana and Mrs. Geeta Khullar have more than a decades experience in the said line of business.

- **Moderate financial risk profile**

BFPL registered muted growth in FY2015-16 with revenue of Rs.96.93 cr as against Rs.94.34 cr in the previous year. The gearing of the company has been comfortable at 0.73 times as on 31 March 2016 against 0.81 times as on 31 March 2015. Moreover, the interest coverage ratio stood at 2.04 times in FY2015-16 as against 1.93 times in FY2014-15. The operating margin stood at 6.50 per cent in FY2015-16 against 6.49 per cent in FY2014-15. The net profitability stood at Rs.2.21 cr in FY2015-16 against Rs.2.01 cr in FY2014-15. The company has stretched liquidity profile (95 per cent bank limit utilisation from April 2016 to October 2016).

- **Healthy relation with clients**

The clientele of the company includes reputed players such as Alembic Pharmaceutical Ltd., Glenmark Pharmaceuticals Ltd. and Meacloides Pharmaceuticals Ltd.

Weaknesses

- **Susceptibility of profit margins to raw material prices**

The profit margins are susceptible to fluctuations in the prices of aluminium foil.

- **Working capital intensive business**

BFPL has working capital intensive operations with high Gross Current Assets (GCA) days at 134 in FY2015-16 as compared to 119 in FY2014-15.

- **Intense competition**

The company faces intense competition from various players which is likely to impact operating performance and profitability.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

SMERA believes that BFPL will continue to maintain a stable outlook over the medium term and benefit from its experienced management. The outlook may be revised to Positive if the company registers substantial growth in revenue and profitability while maintaining its debt protection metrics.

Conversely, the outlook may be revised to Negative in case of deterioration in the financial risk profile or working capital management.

About the Rated Entity - Key Financials

BFPL, incorporated in 2005, is a Himanchal Pradesh-based company promoted by Mr. Sanjay Khurana and Mrs. Geeta Khullar. The company is engaged in the manufacture of aluminium foils, ROPP caps and seals. For FY2015-16, the company reported profit after tax (PAT) of Rs.2.21 cr on operating income of Rs.96.93 cr, as compared to PAT of Rs.2.01 cr on operating income of Rs.94.34 cr in FY2014-15. The net worth stood at Rs.21.45 cr (included quasi equity of Rs.5.31 cr) as on 31 March, 2016 against Rs.19.16 cr (included quasi equity of Rs.5.31 cr) a year earlier.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
18-Jan-2016	Term Loan	Long Term	INR 7.17	SMERA BB / Stable
	Cash Credit	Long Term	INR 10	SMERA BB / Stable
	Letter of Credit	Short Term	INR 10	SMERA A4+
13-Jul-2015	Term Loan	Long Term	INR 6.12	SMERA B+ / Stable
	Cash Credit	Long Term	INR 7.5	SMERA B+ / Stable
	Bills Discounting	Short Term	INR 4	SMERA A4
	Letter of Credit	Short Term	INR 9.5	SMERA A4
	Bank Guarantee	Short Term	INR 0.05	SMERA A4

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BB+ / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA A4+
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.14	SMERA BB+ / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	4.03	SMERA / Stable

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head –Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in Pradeep Kumar Bharti Rating Analyst Tel: 011-49731301 pradeep.bharti@smera.in	Varsha Bist, Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details please visit www.smera.in.

Disclaimer: *A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.*