

July 20, 2014

| Facilities | Amount (Rs. Crore) | Rating |
|-----------------------------|--------------------|------------------------------------|
| Term Loan | 4.21 | SMERA BB-/Stable (Assigned) |
| Cash Credit | 3.00 | SMERA BB-/Stable (Assigned) |
| Proposed Term Loan | 2.79 | SMERA BB-/Stable (Assigned) |
| Proposed Cash Credit | 1.00 | SMERA BB-/Stable (Assigned) |

SMERA has assigned a rating of '**SMERA BB-**' (read as **SMERA Double B minus**) to the Rs.11.00 crore long-term (fund based) bank facilities of Standard Cartons Private Limited (SCPL). The outlook is '**Stable**'. The rating derives comfort from the company's established track record of operations and experienced management. The rating also draws comfort from the moderate financial risk profile and comfortable working capital cycle. However, the rating is constrained by the working capital intensive nature of operations and small scale of operations. The rating is also constrained by the company's exposure to intense competition in the packaging industry.

SCPL, established in 2000, is a Delhi-based private limited company that manufactures cartons. The company is headed by Mr. Vijay Bhaskar, Director, who has around 33 years of experience in the company's line of business. SCPL's moderate financial risk profile is marked by leverage (debt-to-capital ratio) of 2.67 times as on March 31, 2015 and interest coverage ratio of 2.07 times in FY2014-15 (refers to financial year, April 01 to March 31). The company reported moderate net profit margin of 2.79 per cent in FY2014-15. SCPL's stretched liquidity position is evidenced by moderate average utilisation (87 per cent) of cash credit limit from Sep 2014 to May 2015.

However, the company's operations are working capital intensive with gross current assets (GCA) of 199 days and collection period of 97 days in FY2014-15. SCPL has small-scale of operations marked by operating income of Rs.17.03 crore as on March 31, 2015. Also, the company faces intense competition from several players in the packaging industry.

Outlook: Stable

SMERA believes SCPL will maintain a stable business risk profile in the medium term on account of its experienced management and long track record. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' if the company undertakes high debt capex plan or registers deterioration in the financial risk profile.

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About the Company

SCPL, established in 2000, is a Delhi-based private limited company engaged in the business of carton manufacturing. The company is headed by Mr. Vijay Bhaskar, Director, who has around 33 years of experience in the above mentioned business.

For FY2014–15, SCPL reported profit after tax of Rs.0.48 crore on net sales of Rs.17.03 crore, as compared with net loss of Rs.0.17 crore on net sales of Rs.13.21 crore in FY2013–14. The company's net worth stood at Rs.3.75 crore as on March 31, 2015.

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