

August 03, 2015

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	5.06	SMERA BB-/Stable (Assigned)
Letter of Credit	3.25	SMERA A4+ (Assigned)
Packing Credit	1.50*	SMERA A4+ (Assigned)

\*Cash Credit limit of Rs 1.50 crore as sublimit.

SMERA has assigned a rating of '**SMERA BB-**' (read as SMERA double B minus) to the Rs.5.06 crore long-term fund based bank facility and '**SMERA A4+**' (read as SMERA A four plus) to the Rs. 4.75 crore short-term non-fund based bank facilities of Manav Packaging Private Limited (MPPL). The outlook is '**Stable**'. The rating derives comfort from the company's established track record of operations, experienced management and moderate financial risk profile. However, the rating is constrained by the small scale of operations and risks related to the debt-funded capex planned by the company.

MPPL, established in 1999, is a Chennai-based carton manufacturing company headed by Mr. Dhinesh Kumar Varadharajan, Director, who has around 12 years of experience in the company's line of business. The company's gearing (debt-to-equity ratio) is low at 0.48 times (provisional) as on March 31, 2015. The total debt stands at Rs.2.21 crore (provisional) as on March 31, 2015 and includes subordinated unsecured loans of Rs.0.83 crore from friends and relatives of the management. SMERA has treated such unsecured loans as quasi-equity. MPPL's interest coverage ratio is comfortable at 5.79 times (provisional) in FY2014-15 (refers to financial year, April 01 to March 31). The company reported moderate net profit margin of 2.77 per cent (provisional) in FY2014-15. MPPL's comfortable liquidity position is evidenced by moderate average utilisation (28 per cent) of cash credit limit from January 2015 to June 2015.

However, MPPL has small-scale of operations marked by operating income of Rs.16.58 crore (provisional) as on March 31, 2015. The company also plans to undertake debt-funded capex of Rs. 6.36 crore for adding capacity in its manufacturing unit. Notwithstanding the benefits of this capacity expansion, SMERA believes the company's ability to register healthy growth in cash accruals is a key rating sensitivity.

### Outlook: Stable

SMERA believes MPPL will maintain a stable business risk profile in the medium term on account of its experienced management and established track record. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile.

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**About the Company**

MPPL, established in 1999, is a Chennai-based carton manufacturing company headed by Mr. Dhinesh Kumar Varadharajan, Director, who has around 12 years of experience in the company's line of business.

For FY2014–15, MPPL reported net profit of Rs.0.46 crore (provisional) on operating income of Rs. 16.58 crore (provisional), as compared with net profit of Rs.0.42 crore (provisional) on operating income of Rs.13.82 crore in FY2013–14. The company's net worth stood at Rs.4.65 crore (provisional), as on March 31, 2015, as compared with Rs.3.43 crore a year earlier.

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