

Manav Packaging Private Limited: Reaffirmed

| Facilities | Amount (Rs Crore) | Ratings/Outlook |
|-------------------|-------------------|-------------------------------|
| Term Loan | 5.06 | SMERA BB-/Stable (Reaffirmed) |
| Letter of Credit | 3.25 | SMERA A4+ (Reaffirmed) |
| Packaging Credit* | 1.50 | SMERA A4+ (Reaffirmed) |

*Cash credit limit is fully interchangeable with packing credit.

SMERA has reaffirmed the long-term rating on the Rs.5.06 crore bank facility to '**SMERA BB-**' (read as SMERA double B minus) and short term rating to '**SMERA A4+**' (read as SMERA A four plus) on the Rs.4.75 crore bank facilities of Manav Packaging Private Limited (MPPL). The outlook is '**Stable**'.

Update

The ratings continue to draw support from the experienced management, long track record of operations and comfortable working capital cycle. SMERA also notes that the company has moderate financial risk profile. However, the ratings are constrained by the small scale of operations and exposure to the competitive and fragmented packaging industry.

MPPL, incorporated in 1999, is a Chennai-based carton manufacturing company headed by Mr. Dinesh Kumar Varadharajan (Managing Director), who possesses more than a decades experience in the packaging industry.

The moderate financial risk profile of the company is marked by comfortable profitability margin and coverage ratios. The operating margin stands at 11.11 percent in FY2015-16 as compared to 8.70 percent in FY2014-15. The interest coverage ratio of MPPL stood at 4.07 times in FY2015-16 as compared to 6.40 times in FY2014-15. The working capital cycle improved to 52 days in FY2015-16 as compared to 81 in FY2014-15. The gearing deteriorated to 1.74 times as on 31st March 2016 as compared to 0.55 times as on 31st March 2015. Moreover, the net cash accrual to total debts deteriorated from 0.43 times in FY2014-15 to 0.16 times in FY2015-16.

However, the ratings continue to remain constrained by the company's small scale of operation marked by operating income of Rs.18.10 crore in FY2015-16 and Rs.16.59 crore in FY2014-15. The ratings also factor in the company's exposure to the fragmented packaging industry. SMERA also notes that the company is exposed to forex fluctuation risk with import of raw material from Australia.

Outlook- Stable

SMERA believes that MPPL will maintain a stable outlook in the medium term on account of its experienced management and established track record of operations. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while maintaining healthy debt protection metrics and working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in the capital structure or lengthening of working capital cycle.

Rating Sensitivity Factors

- Scaling-up of operations while improving profitability
- Efficient working capital management.
- Exposure to forex fluctuation risk

Criteria applied to arrive at the ratings:

- Manufacturing entities

About the Company

MPPL, incorporated in 1999 as a private limited company was promoted by Mr. Dinesh Kumar Varadharajan. The company is engaged in the manufacture of cartons at Chennai. The raw material (craft paper) is imported from Australia.

For FY2015-16, MPPL reported profit after tax (PAT) of Rs.0.58 crore on operating income of Rs.18.10 crore as compared to PAT of Rs.0.68 crore in FY2014-15. The Networth stands at Rs.4.64 crore as on March 31, 2016 as compared with Rs.4.06 crore a year earlier. The total Networth of Rs. 4.64 crore includes quasi equity of Rs.0.83 crore in FY2015-16.

Rating History

| Date | Facilities | Amount (Rs. Crore) | Ratings | | Rating/ Outlook |
|--------------|------------------|-----------------------|-------------------------|-------------------------|--------------------|
| | | | Long Term | Short Term | |
| 03 Aug, 2015 | Term Loan | 5.06 | SMERA BB- (Assigned) | - | Stable |
| | 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

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ABOUT SMERA

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