

Press Release

Bhansali Packing Service

April 04, 2017

Rating Downgraded

Total Bank Facilities Rated*	Rs. 9.60 Cr.
Long Term Rating	SMERA B- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has downgraded long-term rating of '**SMERA B-**' (read as **SMERA B minus**) on the Rs. 9.60 crore bank facilities of Bhansali Packing Service. The outlook is '**Stable**'.

Bhansali Packing Service (BPS) was established in 1981 as a partnership firm by Mr. Ojas P Bhansali, Ms. Purvi Bhansali and Ms. Varsha P. Bhansali. The firm is engaged in the manufacturing of corrugated boxes for packaging and caters largely to the pharmaceutical sector. The firm sells its products pan India and also exports to Sri Lanka and Indonesia. The rating downgrade is due to deterioration in its financial risk profile, primarily on account of increase in external debt for shifting the existing plant to another location. The rating also factors in the upcoming debt obligations and risk related to timely repayment of the same.

Key Rating Drivers

Strengths

- **Long track record of operations, experienced management**

BPS was established in 1981 as a partnership firm. The partners possess more than two decades of experience in the industry. Further, the management has been infusing funds by way of quasi equity, which increased from Rs. 2.15 cr in FY2014-15 to Rs. 2.60 cr in FY2015-16.

- **Reputed clientele, pan India operations**

BPS caters mainly to the pharmaceutical industry with Cipla being one of its major clients. The firm also exports its products to Sri Lanka, Pakistan and Indonesia.

Weaknesses

- **Small scale of operations, competitive and fragmented business**

BPS operates on a small scale. The operating income declined to Rs.19.46 cr in FY2015-16 from Rs. 22.49 cr in FY2014-15. Further, the firm achieved revenue of Rs.21.36 cr from April 2016 - February 2017. The firm is exposed to intense competition in the corrugated box industry.

- **Below average financial risk profile**

The financial risk profile is below average on account of low net worth of Rs.3.42 cr as on March 31, 2016 compared to Rs.4.29 cr as on March 31, 2015. The Debt equity ratio (Gearing) stood at 3.81 times as on March 31, 2016 as against 2.02 times as on March 31, 2015. The Interest coverage stood at 1.01 times in FY2016.

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

The profit margins are susceptible to fluctuations in the prices of raw materials (corrugated fiberboard -sourced from the domestic market) and forex rates. The firm exports its products to Sri Lanka and Indonesia. The EBITDA margins improved to 8.53 percent in FY2016 from 5.31 percent in FY2015 on account of decline in raw material prices.

• Working capital intensive operations

The operations are working capital intensive with gross current asset days of 114 for FY2015-16 as against 89 in FY2014-15. However, the average utilisation of the CC limit for the past six months ended February 2017 stood at ~88.63 percent.

Analytical Approach

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

Outlook: Stable

SMERA believes that BPS will maintain a stable outlook in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues and profitability or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

For FY2015-16, BPS reported net loss of Rs.1.19 cr on operating income of Rs.19.46 cr as against PAT of Rs. 0.04 cr on operating income of Rs.22.49 cr in the previous year. The net worth stood at Rs.3.42 cr as on March 31, 2016 compared to Rs.4.29 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
20-Nov-2015	Cash Credit	Long Term	INR 3.5	SMERA B / Stable
	Term Loan	Long Term	INR 6.1	SMERA B / Stable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	31-May-2021	4.60	SMERA B- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA B- / Stable

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