

December 11, 2015

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	5.00	SMERA B+/Stable (Assigned)
Term Loan	3.00	SMERA B+/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA B+**' (read as **SMERA B plus**) to the Rs.8.00 crore bank facilities of Shreyans Packaging (SP). The outlook is '**Stable**'.

The rating is constrained by the below-average financial risk profile and high utilisation of bank limit. The rating is further constrained by the highly competitive and fragmented packaging industry and susceptibility of operating margins to volatility in raw material prices. However, the rating draws comfort from the extensive industry experience of the promoters and significant revenue growth.

Outlook: Stable

SMERA believes that SP will maintain its business risk profile over the medium term owing to the extensive industry experience of its promoters. The outlook may be revised to 'Positive' if SP achieves higher than expected revenues while sustaining its existing operating margins leading to improvement in the overall business risk profile. Conversely, the outlook may be revised to 'Negative' if there's elongation in working capital cycle or substantial capital withdrawal by the proprietor resulting in deterioration of the financial risk profile especially liquidity.

Rating Sensitivity Factors

- Sustainable and substantial growth in revenues or operating margins
- Working capital management
- Future capital expenditure and its funding mix thereof

About the Company

Established in 2012, SP is a proprietorship concern promoted by Mr. Rajesh Kochhar. The firm is engaged in the manufacture of corrugated boxes and has a manufacturing capacity of around one lakh boxes per day. The manufacturing facilities of the company are located at Hinganghat, Maharashtra.

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For FY2014-15, SP reported profit after tax (PAT) of Rs.0.26 crore, on operating income of Rs.22.86 crore, as compared with PAT of Rs.0.21 crore on operating income of Rs.17.48 crore in the previous year.

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