

Press Release

08 June, 2017



Shreyans Packaging

Rating Reaffirmed and Assigned

Total Bank Facilities Rated *	Rs. 9.72 Cr
Long Term Rating	SMERA B+/ Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs. 6.55 crore bank facilities and assigned rating of '**SMERA B+**' (read as **SMERA B plus**) on Rs. 3.17 crore bank facilities of Shreyans Packaging (SP). The outlook is '**Stable**'.

Shreyans Packaging (SP), a proprietorship concern was established by Mr. Rajesh Kochar. The firm is engaged in the manufacturing of corrugated boxes at Hinganghat, Maharashtra. The manufacturing capacity stands at 1100 tonnes per month.

Key Rating Drivers

Strengths

Extensive industry experience of the promoters

Shreyans Packaging was established in 2012 by Mr Rajesh Kochar. The Kochar family is engaged in the aforementioned business since the last two decades through group companies such as Kushal Corrupack, SP Packaging and Kochar Paper & Board.

Healthy revenue growth

SP achieved revenue of Rs. 30.26 crore in FY2015-16 compared to Rs. 22.86 crore in FY2014-15. In FY2016-17, the firm achieved revenue of ~Rs. 37.00 crore. The revenues have grown at a CAGR of 32.00 percent from FY2013-14 to FY2015-16.

Healthy customer relations

The major customers include Adani Wilmar Limited, Pee Vee Textiles, Indorama Synthetics among others.

Weaknesses

Moderate financial risk profile

The financial risk profile of SP is moderate marked by high gearing of 2.94 times in FY2016 compared to 6.54 times in FY2015. The net worth is low at Rs. 2.93 crore as on 31 March, 2016 compared to Rs. 1.36 crore in 31 March, 2015. The ICR has been moderate at 2.30 times in FY2016 compared to 2.04 times in FY2015. The PAT margins improved to 1.97 percent in FY2016 compared to 1.14 percent in FY2015.

Working capital intensive operations

The operations of SP are working capital intensive marked by high GCA days of 189 in FY2016 and 168 in FY2015.

Highly competitive and fragmented industry

The firm is exposed to intense competition in the corrugated boxes industry.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Shreyans Packaging to arrive at the rating.

Outlook: Stable

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

About the Rated Entity - Key Financials

The firm reported profit after tax (PAT) of Rs. 0.60 crore on net sales of Rs. 30.26 crore in FY2015-16 as against PAT of Rs.0.26 crore on net sales of Rs.22.86 crore in FY2014-15. The net worth stands at Rs. 3.02 crore as on 31 March, 2016 compared to Rs. 1.36 crore as on 31 March, 2015.

Status of non-cooperation with previous CRA (if applicable)

CRISIL, vide release dated January 22, 2016 suspended the ratings of Shreyans Packaging on account of non-co-operation from the firm.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Name of Instrument /Facilities	FY2018			FY2017		FY2016		FY2015	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	5.00	SMERA B+/Stable (Reaffirmed)	NA	NA	11 Dec, 2015	SMERA B+/Stable (Assigned)	NA	NA
Cash Credit (Enhancement)	LT	2.00	SMERA B+/Stable (Assigned)	NA	NA	NA	NA	NA	NA
Term Loan I	LT	1.55 (Reduced from Rs. 3.00 crore)	SMERA B+/Stable (Reaffirmed)	NA	NA	11 Dec, 2015	SMERA B+/Stable (Assigned)	NA	NA
Term Loan II	LT	1.17	SMERA B+/Stable (Assigned)	NA	NA	NA	NA	NA	NA

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA B+/Stable
Cash Credit (Enhancement)	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA B+/Stable
Term loan I	Not Applicable	Not Applicable	2019	1.55	SMERA B+/Stable
Term loan II	Not Applicable	Not Applicable	2022	1.17	SMERA B+/Stable

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head –Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in	Varsha Bist, Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Avadhoot Mane Rating Analyst Tel: 022-67141138 Email: avadhoot.mane@smera.in	

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.