

Press Release
Shreyans Packaging

June 28, 2018

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE B+**' (**read as ACUITE B plus**) on the Rs.9.72 crore bank facilities of Shreyans Packaging (SP). The outlook is '**Stable**'.

The Maharashtra-based, Shreyans Packaging (SP) is a proprietorship concern established in 2012 by Mr. Rajesh Kocher. The firm is engaged in manufacturing of corrugated boxes. Its manufacturing unit is located at Hinganghat with installed capacity of 1800 tons per month.

Key Rating Drivers

Strengths

• **Experienced promoters and reputed clientele**

The proprietor, Mr. Rajesh Kocher, possess over a decade of experience in the paper industry. This has helped the firm to build strong relations with reputed customers which includes Adani Wilmar Limited, Future Retail Limited, Indorama Synthetic (India) Limited, among others. Acuité believes that SP will continue to benefit from its established position in the market and experienced management.

• **Moderate growth in revenues**

SP has been growing at a compound annual growth rate (CAGR) of 34 percent from FY2015 to FY2018 (Provisional). The firm registered a turnover of Rs.54.61 crore in FY2018 (Provisional), an improvement from Rs.38.08 crore in FY2017 and Rs.30.26 crore in FY2016. The increase in revenues is mainly on account of increase in the number of orders and increase in customer base.

Weaknesses

• **Average financial risk profile**

SP has an average financial risk profile marked by low net worth of Rs.5.14 crore as on March 31, 2018 (Provisional) from Rs.3.13 crore in the previous year. The increase in net worth is on the account of infusion of capital by promoters. The gearing stood high at 2.10 times as on March 31, 2018 (Provisional) as against 3.20 times in the previous year. The total debt of Rs.10.78 crore in FY2018 (Provisional) comprises of working capital borrowing to the tune of Rs.6.95 crore, unsecured loan from promoter to the tune of Rs.2.70 crore and term loan to the tune of Rs.1.13 crore. The Interest Coverage Ratio (ICR) stood at 2.15 times in FY2018 (Provisional) and 2.10 times in FY2017. The TOL/TNW has reduced to 5.18 times as on March 31, 2018 (Provisional) as against 7.07 times as on March 31, 2017.

• **Decline in profitability margins**

Although there is an increase in the revenues, the profitability margins have declined during the period under study. The operating margins stood at 5.55 percent in FY2018 (Provisional) as against 7.27 percent in FY2017 as against 8.33 percent in FY2015. The decline is mainly on account of increase in the raw material cost. The net margins have also declined to 1.46 percent in FY2018 (Provisional) from 1.77 percent in FY2017. The decrease was mainly on account of increase in the interest cost.

• **Working capital intensive nature of operations**

The operations are working capital intensive marked by high Gross Current Asset (GCA) days of 163 for FY2018 (Provisional) as against 191 for FY2017. This is mainly on account of high debtor days marked by 119 for FY2018 (Provisional) as against 112 days for FY2017. The working capital limits were fully utilised

for past six months. Acuité believes that improvement in working capital cycle would be the key rating sensitivity in the medium term.

- **Highly fragmented and competitive industry**

SP operates in highly fragmented industry with limited entry barriers wherein the presence of large number of players in the unorganised sector limits the bargaining power with customers.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the SP to arrive at this rating.

Outlook: Stable

Acuité believes that the outlook on SP will remain 'Stable' over the medium term on account of the promoter's experience and reputed client base in the industry. The outlook may be revised to 'Positive' if the firm registers growth in profitability margins while maintaining a comfortable liquidity position and capital structure. Conversely, the outlook may be revised to 'Negative' in case of further deterioration of its financial risk profile due to higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	54.61	38.08	30.26
EBITDA	Rs. Cr.	3.03	2.77	2.52
PAT	Rs. Cr.	0.80	0.67	0.60
EBITDA Margin	(%)	5.55	7.27	8.33
PAT Margin	(%)	1.46	1.77	1.97
ROCE	(%)	15.24	15.89	15.28
Total Debt/Tangible Net Worth	Times	5.18	7.07	5.97
PBDIT/Interest	Times	2.15	2.10	2.30
Total Debt/PBDIT	Times	3.54	3.62	3.53
Gross Current Assets (Days)	Days	163	191	186

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
08-Jun-17	Cash Credit	Long term	5.00	ACUITE B+/Stable (Reaffirmed)
	Cash Credit (Enhancement)	Long term	2.00	ACUITE B+/Stable (Reaffirmed)
	Term Loan	Long term	1.55	ACUITE B+/Stable (Reaffirmed)
	Term Loan	Long term	1.17	ACUITE B+/Stable (Assigned)
11-Dec-15	Cash Credit	Long term	5.00	ACUITE B+/Stable (Assigned)
	Term Loan	Long term	3.00	ACUITE B+/Stable (Assigned)

*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	7.00	ACUITE B+/Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.55	ACUITE B+/Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.17	ACUITE B+/Stable

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About Acuité Ratings & Research:

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