

February 03, 2016

| Facilities | Amount (Rs. Crore) | Ratings |
|------------------|--------------------|-----------------------------|
| Cash Credit | 9.00 | SMERA BBB/Stable (Assigned) |
| Term Loan | 1.00 | SMERA BBB/Stable (Assigned) |
| Letter of Credit | 9.00 | SMERA A2 (Assigned) |

SMERA has assigned ratings of '**SMERA BBB**' (read as **SMERA triple B**) and **SMERA A2** (read as **SMERA A two**) to the above mentioned bank facilities of Blow Packaging India Private Limited (Blow Packaging). The outlook is '**Stable**'. The ratings derive comfort from the company's long track of operations, experienced management and comfortable liquidity position. The ratings also draw strength from the above average financial risk profile marked by comfortable interest coverage ratio and reputed clientele. However, the ratings are constrained by the declining operating margins and exposure to foreign exchange fluctuation risk.

Blow Packaging, established in 1992 manufactures High Molecular High Density Polyethylene (HMHDPE) containers. The company registered increase in operating revenue to Rs.182.07 crore in FY2015 from Rs.164.73 crore in FY2014. There has been no long term debt obligation in relation to net cash accruals of the company. Besides, the liquidity position is marked by low working capital utilisation with average cash credit utilisation at 55 per cent for the past six months.

The above average financial risk profile of the company is marked by low gearing of 0.26 times as on March 31, 2015, healthy network of Rs.58.05 crore and comfortable interest coverage ratio of Rs.8.57 times as on March 31, 2015.

The company caters to diversified industries such as pharmaceuticals, packaging, food and beverages among others. Its list of clientele includes reputed names such as Asian Paints Limited, Indian Oil Corporation, Stahl India Limited to name a few.

However, the rating is constrained by the declining operating margins. Going forward, the company is expected to maintain its operating margins at 11 per cent as per the provisional half yearly figures of FY2015-16 provided by the company.

Blow Packaging imports most of its raw material (plastic granules) from countries such as Saudi Arabia, UAE, and Singapore exposing itself to considerable forex fluctuation risk impacting the prices of raw materials. The company hedges its forex risk through forward contracts.

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Outlook: Stable

SMERA believes that Blow Packaging's outlook will remain stable over the medium term on account of the company's experienced management and above average financial risk profile. The outlook may be revised to 'Positive' if the company achieves sustained growth in revenues while maintaining its profit margins and capital structure. Conversely, the outlook may be revised to 'Negative' in case of steep decline in the revenues and profit margins.

Rating Sensitivity Factors

- Scaling up operations while maintaining margins
- Managing working capital efficiently
- Tackling fluctuations in polymer prices

About the Company

Part of the Blow Group, Blow Packaging was incorporated in 1992 by Mr. C M Baid who possesses over five decades of experience in the plastic industry. The company is engaged in the manufacture of plastic containers and has four manufacturing units at Ambattur, Chennai and Rohtak. The registered office of the company is located at Chennai. The company has expanded its operations pan India under the directorship of Mr. Vinith Baid, and is one of the few approved suppliers of Asian Paints Limited for plastic containers. Mr V. Baid has over two decades of experience in the industry.

For FY2014-15, Blow Packaging reported profit after tax (PAT) of Rs.8.14 crore on operating income of Rs.182.07 crore as compared with PAT of Rs.9.83 crore on operating income of Rs.164.73 crore for FY2013-14.

Contact List:

| Media/Business Development | Analytical Contact | Rating Desk |
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| Mr. Suman M, National Sales Head – Emerging Corporate Group Tel : +91-22-6714 1151 Cell : +91 9892306888 Email : suman.m@smera.in Web: www.smera.in | Mr. Vinay Chhawchharia Associate Vice President - Corporate Ratings, Tel: +91-22-6714 1156 Email: vinay.chhawchharia@smera.in | Tel: +91-22-6714 1184 Email: ratingdesk@smera.in |

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