

Press Release

27 May, 2017

Blow Packaging (India) Private Limited (BPIPL)

Rating Assigned and Reaffirmed

Total Bank Facilities Rated *	Rs.19.00 Cr
Long Term Rating	SMERA BBB/Stable (Reaffirmed)
Short Term Rating	SMERA A2 (Assigned and Reaffirmed)

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA BBB**' (read as SMERA triple B) on the Rs.18.00 crore bank facilities and assigned short term rating of '**SMERA A2**' (read as SMERA A two) on the Rs.1.00 crore bank facilities of Blow Packaging (India) Private Limited (BPIPL). SMERA has also withdrawn the rating on the Rs.1.00 crore term loan as it has been fully repaid as certified by the banker. The outlook is '**Stable**'.

BPIPL was established in 1992 by Mr. C M Baid, who possesses over five decades of experience in the plastic industry. The company is engaged in the manufacturing of High Molecular High Density Polyethylene (HMHDPE) containers/plastic containers at its manufacturing units at Ambattur (Tamil Nadu), Sripurumbudur (Tamil Nadu) and Rohtak (Haryana). The registered office of the company is located at Chennai.

List of Key Rating Drivers and their detailed description

Strengths:

Experienced management with long track of operations: The promoter possesses experience of over five decades in the abovementioned line of business. Mr. Vinith Baid, Director has over two decades of experience in the industry.

The company benefits from its long track record of operations, healthy relations with suppliers and marquee customers. BPIPL caters to diversified industries such as pharmaceuticals, packaging, food and beverages among others. The clients include Asian Paints, Tide Water Oil Company Ltd., etc.

Healthy financial risk profile: BPIPL's financial risk profile is healthy marked by net worth of Rs. 61.67 crore for FY2015-16 as against Rs. 58.05 crore in FY2014-15 on account of retention of profits. For FY2015-16, the net worth includes Rs.3.89 crore of unsecured loan from directors, relatives and friends considered as quasi capital. The gearing ratio stood at 0.14 times as on 31 March, 2016 as compared to 0.26 times as on 31 March, 2015. The Interest coverage ratio stood at 7.86 times in FY2015-16 as against 8.57 times in FY2014-15.

Weaknesses

Decline in revenue and susceptibility of margins to volatility in raw material prices: The operating income registered a 12.81 per cent decline from Rs. 182.07 crore in FY2014-15 to Rs. 158.74 crore in FY2015-16 owing to fluctuations in prices of crude oil and plastic granules. BPIPL caters to oil and paint industries.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the company.

Applicable Criteria

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

Outlook: Stable

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

About the Rated Entity

BPIPL is engaged in the manufacturing of High Molecular High Density Polyethylene (HMHDPE) containers/plastic containers and has five manufacturing units across Ambattur (Tamil Nadu), Sripurumbudur (Tamil Nadu) and Rohtak (Haryana). The registered office of the company is located at Chennai.

For FY2015-16, BPIPL reported Profit after Tax (PAT) of Rs.6.69 cr on operating income of Rs.158.74 cr as compared to PAT of Rs.8.14 cr on operating income of Rs.182.07 cr in FY2014-15. The net worth stood at Rs.61.67 cr as on March 31, 2016 against Rs.58.05 cr a year earlier.

Status of non-cooperation with previous CRA (if applicable): India Ratings and Research (Ind-Ra) has migrated Blow Packaging (India) Ltd's 'IND BBB' and 'IND A2' ratings to the suspended category on 25th July, 2016. "The ratings have been migrated to the suspended category due to lack of adequate information."

Any other information: Not Applicable

Rating History (Upto last three years)

Name of Instrument/Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	9.00	SMERA BBB/Stable (Reaffirmed)	Feb 03, 2016	SMERA BBB/Stable (Assigned)	N.A	N.A	N.A	N.A
Term Loan	LT	1.00	SMERA BBB/Stable (Withdrawn)	Feb 03, 2016	SMERA BBB/Stable (Assigned)	N.A	N.A	N.A	N.A
Letter of Credit	ST	9.00	SMERA A2 (Reaffirmed)	Feb 03, 2016	SMERA A2 (Assigned)	N.A	N.A	N.A	N.A
Bank Guarantee	ST	1.00	SMERA A2 (Assigned)	NA	NA	N.A	N.A	N.A	N.A

***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	N.A	N.A	N.A	9.00	SMERA BBB/Stable (Reaffirmed)
Letter of Credit	N.A	N.A	N.A	9.00	SMERA A2 (Reaffirmed)
Bank Guarantee	N.A	N.A	N.A	1.00	SMERA A2 (Assigned)

Note on complexity levels of the rated instrument:
<https://www.smera.in/criteria-complexity-levels.htm>

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head - Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in Shalini Sekar Rating Analyst Tel: 022-67141146 Email: shalini.sekar@smera.in	Varsha Bist, Sr. Executive Tel: 022-67141160 Email: varsha.bist@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.