

Pack N Print: Assigned

Facilities	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	3.00	SMERA B /Stable (Assigned)
Term Loan	2.00	SMERA B /Stable (Assigned)
Cash Credit (Proposed)	1.25	SMERA B /Stable (Assigned)
Term Loan (Proposed)	3.75	SMERA B /Stable (Assigned)

SMERA has assigned long term rating of '**SMERA B**' (**read as SMERA B**) on the abovementioned bank facilities of Pack N Print (PNP). The outlook is '**Stable**'. The rating is constrained by the weak financial risk profile, working capital intensive operations, customer concentration risk and low scale of operations. However, the rating draws comfort from the experienced management and reputed clientele.

Established in 1992, PNP designs and manufactures corrugated boxes. The financial risk profile of the firm is marked by high gearing, low net worth base and comfortable debt protection metrics. The gearing levels have been high of around 8.87 times in FY2016 (provisional). The net worth levels stood at Rs. 0.72 crore in FY2016 (provisional). The interest coverage ratio and DSCR are comfortable at 2.23 times and 2.23 times in FY2016 (provisional) respectively. Moreover, the firm has a capex plan of Rs.2.5 crore to increase installed capacity which is expected to be funded entirely from external borrowings. Hence, the gearing levels are expected to remain at aggressive levels over the medium term.

Moreover, the working capital intensive operations are marked by high gross asset days of 172 days and 111 days in FY2016 (provisional) and FY2015. This intensifies large working capital requirements as funds get blocked in debtors, thereby affecting its ability to payback its current liabilities. The debtor days stood at 79 in FY2016 (provisional) as compared to 73 days in FY2015. The inventory days stand at 12 in FY2016 (provisional) as compared to 21 in FY2015.

The above rating also factors in PNP's customer concentration risk with around 84 per cent revenue being generated from its client, Everest Masala. Other clients include Parle International, Cadbury India Ltd among others from the FMCG end-user based industry that has a favourable demand outlook.

The revenues of the firm are relatively low at Rs.9.75 crore and Rs.8.68 crore in FY2016 (provisional) and FY2015.

However, the rating draws comfort from the over two decades of experience of the management in the packaging industry. The firm has a reputed client base including Everest Masala, Cadbury India Ltd., Parle International Ltd among others.

Rating Sensitivity Factors

- Scaling up of operations
- Extent of capex and its funding mix
- Improvement in the capital structure

Outlook-Stable

SMERA believes that PNP will maintain a stable outlook in the medium term while benefitting from its promoters' experience and reputed clientele. The outlook may be revised to 'Positive' if the firm scales up operations while maintaining profitability margins. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues and profitability or if the working capital cycle elongates.

Criteria applied to arrive at the rating:

- Manufacturing entities

About the Firm

PNP was promoted by Mr. Harish D Shah and his son Mr. Tushar H Shah in 1992. The firm manufactures corrugated boxes and is the exclusive packaging partner for reputed brands such as Everest Masala, Cadbury India, Parle International to name a few. The manufacturing facilities are located in Mumbai, Maharashtra.

For FY2016, PNP reported profit after tax (PAT) of Rs.0.40 crore on total operating income of Rs.1.14 crore, as compared with PAT of Rs.0.22 crore on total operating income of Rs.0.96 crore in FY2015.

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ABOUT SMERA

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