

Press Release

AUTOPACK MACHINES PRIVATE LIMITED

November 28, 2017

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 9.00 Cr.
Long Term Rating	SMERA BB+ / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB+**' (**read as SMERA BB plus**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 9.00 crore bank facilities of AUTOPACK MACHINES PRIVATE LIMITED. The outlook is '**Stable**'.

Autopack Machines Private Limited (AMPL), a partnership firm, was established in 1978 by Mr. Saratchandran Bhaskaran and Ms Saroja Nair and converted to private limited in 1981. The company is engaged in the manufacture of packing machines (filling, closing and wrapping) and caters to several industries including FMCG, pharmaceutical, cosmetics, chemicals among others. The company is led by Directors, Mr. Saratchandran Bhaskaran Saroja Nair, Mr. Ashok Balakrishnan Nair, Mr. Balchandran Nair and others. AMPL has three manufacturing units (two in Mumbai and one in Bangalore) with a consolidated installed capacity of approximately 70-75 machines per annum.

Key Rating Drivers

Strengths

• Comfortable working capital

AMPL's comfortable working capital cycle is marked by high creditor days of 132 and debtor days of 92. The company has long term relations with suppliers, offers liberal credit terms and also takes money in advance which contributes to negative working capital cycle.

• Long track record of operations and experienced management

AMPL has long track record of operations. The promoters have more than three decades of experience in the industry. SMERA believes that AMPL will continue to benefit from its experienced management and long-standing relations with clients.

• Reputed clientele

AMPL is engaged in the manufacturing of packing machines. The company caters to several clients in the FMCG, pharmaceutical, chemical industries and has long term relations with Unilever, Marico, Johnson & Johnson, Emami etc.

• Increase in EBITDA and PAT margin

The EBITDA margin increased to 7.70 percent in FY2017 from 4.43 percent in FY2016 mainly on account of decline in employee cost with the company adopting automation. Further, the PAT margins stood at 3.18 per cent in FY2017 as against 3.13 percent in FY2016. The PAT margin increased by virtue of increase in EBITDA margins.

• Moderate financial risk profile

The financial risk profile is moderate marked by tangible networth of Rs.9.16 crore as on 31 March, 2017 as against Rs.8.42 crore as on 31 March, 2016. The gearing remains comfortable at 0.53 times as on 31 March, 2017 as against 0.26 times as on 31 March, 2016. The total debt of Rs. 4.82 crore as on 31 March, 2017 comprises majorly working capital loan of Rs. 3.28 crore and vehicle loan of Rs. 1.54 crore. The coverage

ratio remains moderate with Interest coverage ratio (ICR) at 4.59 times and Debt servicing coverage ratio (DSCR) at 3.78 times in FY2016-17 as against ICR of 4.29 times and DSCR of 3.47 times in FY2015-16. SMERA believes that AMPL will sustain its moderate financial risk profile in the absence of debt funded capex plans.

Weaknesses

• Exposure to group entities

The financial risk profile is constrained by significant exposure to associate companies of Rs.5.12 crore to group companies. As on 31 March, 2017 (Provisional) investments in associate concerns, Kunnath Engineering Industries Private Limited and Perfect Product And Appliances Private Limited stood at Rs. 2.49 crore and Rs. 2.63 crore respectively. The total exposure to group entities stood at ~56 per cent of the total tangible net worth. Since the unwinding of these exposures is uncertain, the adjusted net worth (i.e. net worth after knocking off the exposure to these entities) is Rs.4.04 crore as on 31 March 2017. SMERA believes that the credit profile of AMPL will depend on its ability to curtail these exposures.

• Modest scale of operations

Despite being in the business for four decades, AMPL's revenue stood at a modest Rs. 23.48 crore in FY2017 as against Rs. 20.56 crore in FY2016.

• Profitability susceptible to volatility in raw material prices

The margins are susceptible to volatility in raw material prices. Any significant change in raw material prices due to import pressure would have an impact on the margins of the company. Slowdown in demand and threat of cheaper imports has resulted in players piling up inventory or operating at low margins.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of AMPL.

Outlook: Stable

SMERA believes that AMPL will maintain a stable outlook over the medium term owing to its promoters' extensive experience and established relations with customers. The outlook may be revised to 'Positive' in case the company registers more than expected revenue growth registering improvement in its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of failure in achieving expected revenues, profitability, or if the working capital cycle further deteriorates.

About the Rated Entity - Key Financials

For FY2016-17, AMPL reported profit after tax (PAT) of Rs 0.75 crore, on operating income of Rs.23.48 crore compared with PAT of Rs 0.64 crore on operating income of Rs.20.56 crore in the previous year. The tangible net worth stood at Rs.9.16 crore as on 31 March, 2017 as against Rs.8.42 crore in the previous year.

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

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
19-Sep-2016	Secured Overdraft	Long Term	INR 5	SMERA BB+ / Stable
	Bank Guarantee	Short Term	INR 2	SMERA A4+
	Proposed Bank Guarantee	Short Term	INR 2	SMERA A4+

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA A4+

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ABOUT SMERA

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