

Honourable Packaging Private Limited: Assigned

Facilities	Amount (Rs Crore)	Rating/Outlook
Cash Credit*	5.50	SMERA BB-/Stable (Assigned)
Term Loan	2.36	SMERA BB-/Stable (Assigned)
Proposed	0.34	SMERA BB-/Stable (Assigned)

* Sublimit of Rs.5.50 crore of EPC/FBP/FBD

SMERA has assigned long term rating of '**SMERA BB- (read as SMERA double B minus)**' on the abovementioned bank facilities of Honourable Packaging Private Limited (HPPL). The outlook is '**Stable**'.

The rating draws support from the experienced management and established operations. The rating is further supported by the company's moderate financial risk profile marked by coverage ratios and comfortable gearing. However, the rating is constrained by the stretched working capital and the competitive and fragmented packaging industry. SMERA also notes that the company largely caters to the requirements of its group companies.

HPPL, incorporated in 2010, is engaged in the manufacture of plastic granules, liner, polyethylene fabric and tarpaulin from waste material, procured from its group companies namely, Shree Tirupati Balaji Agro Trading Company Private Limited, Shree Tirupati Balaji FIBC Private Limited and Jaganath Plastic Private Limited. The company benefits from its experienced management. Mr. Binod Agarwal, Managing Director has more than a decades experience in the packaging industry.

The financial risk profile is marked by moderate leverage (debt-equity ratio) of 1.30 times in FY2015-16 against 1.22 times in FY2014-15. The interest coverage ratio stood comfortable at 2.36 times in FY2015-16 against 2.42 times in FY2014-15 (refers to financial year, April 01 to March 31). The company registered net cash accruals to total debt (NCA/TD) of 0.11 times in FY2015-16 against 0.16 times during the previous year. The comfortable profitability profile is marked by operating margins of 8.47 per cent in FY2015-16 as compared to 10.91 per cent a year earlier. The profit after tax (PAT) of the group has improved and stands at Rs.0.60 crore in FY2015-16 as compared to Rs 0.76 crore a year earlier.

However, the company faces intense competition in the packaging industry. The operations are working capital-intensive, with gross current assets (GCA) of 213 days in FY2015-16 against 164 days during the previous year. SMERA believes that the operations are expected to remain working capital intensive over the medium term. SMERA also notes that around 90 percent sales is made to group companies - Shree Tirupati Balaji Agro Trading Company Private Limited, Shree Tirupati Balaji FIBC Private Limited and Jaganath Plastic Private Limited.

Outlook: Stable

SMERA believes that the outlook on HPPL will be 'Stable' over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues while improving working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the capital structure, profitability, or if the company undertakes large debt funded capex.

Honourable Packaging Private Limited (HPPL)**Rating Sensitivity Factors**

- Efficient management of working capital cycle
- Scaling up operations

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

The Indore-based HPPL, incorporated in 2010 was promoted by Mr. Binod Agarwal who possesses over a decades experience in the packaging industry. The company is engaged in the manufacture of plastic granules, liner, polyethylene fabric and tarpaulin.

For FY2015-16, HPPL reported net profit of Rs.0.60 crore on operating income of Rs.30.03 crore as compared to net profit of Rs.0.76 crore on operating income of Rs.23.90 crore in FY2014-15. The net worth stood at Rs.8.13 crore as on March 31, 2016. The total networth of Rs.8.13 crore includes quasi equity of Rs.3.37 crore in FY2015-16.

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ABOUT SMERA

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