

Press Release

27 March, 2017

Total Packaging Services

Rating Assigned

Total Bank Facilities Rated *	Rs. 29.00 Cr.
Long Term Rating	SMERA BBB- / Outlook: Stable
Short Term	SMERA A3

Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-**' (read as **SMERA BBB minus**) and short term rating of '**SMERA A3**' (read as **SMERA A three**) on the Rs. 29.00 crore bank facilities of Total Packaging Services. The outlook is '**Stable**'.

Total Packaging Services (TPS) is a partnership firm established in 2003 by Mr. Dhirajlal Shah and his nephews, Mr. Haresh Gudhka and Mr. Hitendra Gudhka. The firm is engaged in the manufacture of plastic packaging material.

Key Rating Drivers

Strengths

- **Experienced management with long track record of operations**

The promoters have more than two decades of experience in the packaging industry. The firm manufactures plastic sheets, tubings, bags among others. The manufacturing unit is located at Dabhel - Daman & Diu and has capacity of 2200 tonne per month. The monthly utilisation is 2000 tonnes.

- **Diversified product profile**

TPS is a manufacturer and supplier of plastic bags - PP/LD/HM Bags, Layflat tubing among others used as packaging solutions for industrial application.

- **Healthy financial risk profile**

The financial risk profile of the firm is healthy evident from the increase in Interest Coverage ratio to 4.19 times in FY2015-16 as against 3.91 times in FY2014-15. The gearing has been moderate (debt to equity ratio) at 1.41 times as on March 31, 2016 as against 1.56 times as on March 31, 2015. The tangible net worth stood at Rs.17.44 cr as on March 31, 2016 as compared to Rs.15.93 cr as on March 31, 2015.

- **Efficient working capital management**

The gross current asset days have remained stable at 55 for FY2015-16 and FY2014-15. The working capital cycle has improved from 44 days in FY2014-15 to 36 days in FY2015-16.

Weaknesses

- **Susceptibility of margins to volatility in raw material prices**

The margins are highly susceptible to changes in polymer prices. Any adverse movement in polymer prices will further impact profitability.

- **Intense competition**

TPS operates in a highly competitive and fragmented industry characterised by numerous small as well as large players.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of TPS.

Outlook: Stable

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

About the Rated Entity - Key Financials

TPS manufactures plastic flexible packaging material. The manufacturing facility located at Dabhel - Diu Daman has an installed capacity of 26400 tonnes per annum. TPS reported net profit of Rs.5.52 cr on net sales of Rs.216.04 cr in FY2015-16 as against PAT of Rs.5.66 cr on net sales of Rs.214.34 cr in FY2014-15. The networth of the firm stood at Rs. 17.44 cr as on March 31, 2016 as compared to Rs.15.93 cr as on March 31, 2015.

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

ICRA has suspended the [ICRA]BBB- (pronounced ICRA triple B minus) and the [ICRA]A3 (pronounced ICRA A three) ratings assigned to the Rs. 30.50 crore bank facilities of Total Packaging Services*. The suspension follows ICRA's inability to carry out a rating surveillance in the absence of requisite information from the company.

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)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	November 2027	22.00	SMERA BBB-/Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.67	SMERA BBB-/Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	2.33	SMERA BBB-/Stable
Letter of Credit #	Not Applicable	Not Applicable	Not Applicable	8.00	SMERA A3
Bank Guarantee #	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A3

Sublimit of cash credit

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ABOUT SMERA

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