

Press Release

EAST INDIA PACKAGING PRIVATE LIMITED

December 05, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 11.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA BB**) on the Rs. 11.00 crore bank facilities of EAST INDIA PACKAGING PRIVATE LIMITED. The outlook is '**Stable**'.

East India Packaging Private Limited (EPIPL), incorporated in 2012 is engaged in the manufacturing of corrugated boxes since 2014 at Haldia (West Bengal). The company led by Mr. Sashi Kant Jhawar, Mr. Suresh Kumar Jhawar and Ms. Pinky Nahata has installed capacity of 21,600 TPA.

Key Rating Drivers

Strengths

- **Moderate scale of operations**

The revenue stood at a moderate Rs. 21.75 crore in FY2017, an increase from Rs.17.92 crore in FY2016.

- **Above average financial risk profile**

The financial risk profile is above average marked by moderate net worth of Rs.8.17 crore in FY2017 and Rs.6.82 crore in FY2016, mainly on account of retention of current year profit. The Debt equity stood at a comfortable 0.58 times in FY2017, a decline from 0.73 times in FY2016. The Interest coverage ratio stood comfortable at 7.15 times in FY2017 and debt service coverage ratio at 1.07 times. The net cash accrual to total debt stood at a low of 0.40 times in FY2017.

Weaknesses

- **Limited track record of operations**

The company commenced commercial production from 2014 and hence has limited track record of operations.

- **Working capital intensive operations**

The operations are working capital intensive marked by gross current asset days of 111 during FY2017 as against 99 days in FY2016. This necessitates working capital requirement as major funds gets blocked in debtor and inventory. The debtor and inventory days stood at 41 in FY2017 and 29 and 55 days in FY2016 respectively.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of East India Packaging Private Limited.

Outlook: Stable

SMERA believes that EPIPL will maintain a stable outlook in the medium term on account of its above average financial risk profile and moderate scale of operations. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenue and net cash accruals while maintaining better profit margins and improvement in the working capital management. Conversely, the outlook may be revised to 'Negative' in case of lower than expected growth in revenue and profitability, or deterioration in

the financial risk profile.

About the Rated Entity - Key Financials

For FY2016-17, EPIPL reported profit after tax (PAT) of Rs 1.31 crore on total operating income of Rs.21.75 crore, compared with PAT of Rs.0.35 crore on total operating income of Rs.17.92 crore in FY2015-16.

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

NA

Any other information

NA

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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 loans	Not Applicable	Not Applicable	Not Applicable	7.15	SMERA BB / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.85	SMERA BB / Stable

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in . Abhishek Dey Executive Analyst - Rating Operations Tel: +91 33 6620 1222 abhishek.dey@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in .

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