

Press Release

Chromaprint India Private Limited (CIPL)

15 January, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	SMERA B+/Stable (Assigned)
Short Term Rating	SMERA A4 (Assigned)

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA B+**' (read as **SMERA B plus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 20.00 crore bank facilities of Chromaprint India Private Limited (CIPL). The outlook is '**Stable**'.

The Coimbatore-based Chromaprint India Private Limited (CIPL), the erstwhile proprietorship concern was established in 1985 by Mr. R. Lakshmi Narayana Moorthy. Later in 1992 it was converted to a partnership firm and in 2005 to private limited. Currently, the day-to-day affairs are led by Mr. R. Lakshmi Narayana Moorthy and his sons, Mr. L. Yoga Narashimha Moorthy and Mr. L. Surya Narayana Moorthy. The company is mainly into manufacturing of printed labels for liquor and FMCG industries.

Key rating drivers

Strengths

Experienced management: Mr. Moorthy, the promoter director has experience of over three decades in the printing industry. He is joined by his sons, Mr. Narashimha Moorthy and Mr. Narayana Moorthy who have experience of about five years in the industry. The extensive experience of the promoter has helped the company cater to a reputed client base including United Breweries Limited, United Spirits Limited, Nestle India Limited, Midas Golden Distilleries Private Limited among others.

Weaknesses

Below average financial risk profile: The networth of the company declined to Rs.11.95 crore as on 31 March, 2017 compared to Rs.13.46 crore as on 31 March, 2016 and Rs.18.79 crore as on 31 March, 2015. The company incurred net losses in FY2016 and FY2017 which led to decline in networth. Further, in FY2016, the decline was also due to the dividend paid to shareholders. The gearing stood high at 2.65 times as on 31 March, 2017. The total debt of Rs.31.71 as on 31 March, 2017 crore includes term loans of Rs.22.97 crore and short term borrowings of Rs.8.74 crore.

The interest coverage ratio stood moderate at 1.45 times and DSCR at a low of 0.84 times in FY2017.

Working capital intensive operations: The company has high Gross Current Asset of 133 days in FY2017 as against 144 days in FY2016 mainly on account of inventory holding of 63 days and debtors of 72 days.

SMERA believes that the efficient working capital management will be crucial to the company in maintaining a stable credit profile.

Susceptibility of margins to foreign exchange fluctuation risk: The company imports around ~70 per cent of its raw material like mirror coated paper and high wet strength paper from Indonesia and Germany. Thus, it is exposed to fluctuations in forex rates in the absence of adequate hedging mechanism.

About the Rated Entity – Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15(Actual)
Operating Income	Rs. Cr.	41.39	39.77	39.60
EBITDA	Rs. Cr.	5.43	8.73	8.13
PAT	Rs. Cr.	-1.51	-1.18	1.10
EBITDA Margin	(%)	13.11	21.96	20.53
PAT Margin	(%)	-3.66	-2.97	2.77
ROCE (%)	(%)	5.12	9.70	21.78
Total Debt/Tangible Net Worth	Times	2.65	1.83	1.24
PBDIT/Interest	Times	1.45	1.43	2.44
Total Debt/PBDIT	Times	5.70	3.51	2.85
Gross Current Assets (Days)	Days	133	144	149

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of CIPL to arrive at the rating.

Any other information: Not Applicable

Applicable Criteria

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

Outlook- Stable

SMERA believes that CIPL will maintain a stable outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers substantial growth in scale of operations while achieving healthy profit margins strengthening its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of steep

decline in revenues, profitability or elongation in its working capital cycle translating to deterioration in its financial risk profile.

Note on complexity levels of the rated instrument

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

Status of non-cooperation with previous CRA (if applicable): None

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. Crore)	Ratings/Outlook
Cash Credit	NA	NA	NA	10.00	SMERA B+/Stable
Dropline Overdraft	NA	NA	NA	9.00	SMERA B+/Stable
Standby Line of Credit	NA	NA	NA	1.00	SMERA A4

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ABOUT SMERA

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