

Press Release

Classic Corrugations Private Limited

23 January, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable

** Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs. 10.00 crore bank facilities of Classic Corrugations Private Limited (CCPL). The outlook is '**Stable**'.

Classic Corrugations Private Limited (CCPL), established in 2011 commenced commercial operations in the manufacturing of packaging materials, paper, corrugated boxes and paperboards from July 2013. The company promoted by Mr. Yogesh Kumar Todi and Ms Manisha Y Todi, has installed capacity of ~18000 MTPA (kraft paper) at its manufacturing facility at Daskroi, near Ahmedabad, Gujarat. The corrugated boxes find application in a wide range of industries including home appliances, food products, liquor, kitchen ware, spare parts among others.

Key rating drivers

Strengths

Experienced management

CCPL was incorporated in April 2011 by Mr. Yogesh Todi and family. The promoters possess more than 15 years of experience in the packaging industry. The extensive experience has helped maintain healthy relations with customers and suppliers.

Moderate scale of operations

CCPL has moderate scale of operations with revenue of Rs. 41.69 crore as on 31 March, 2017 as against Rs.42.28 crore in the previous year. The company registered revenue of Rs. 28.22 crore till 31 November, 2017.

Reputed clientele and locational advantage

CCPL has a reputed and diversified client base. The company also enjoys locational advantage owing to its proximity to kraft paper manufacturers in Morbi and Vapi, ensuring easy access to raw material.

Weaknesses

Average financial risk profile

CCPL has average financial risk profile marked by low networth, high gearing and moderate coverage indicators. The networth stood at Rs.6.88 crore as on 31 March, 2017 as against Rs.6.62 crore in the previous year. The gearing (debt-to-equity) stood at 2.00 times as on 31 March, 2017 as against 2.17 times as on 31 March, 2016. The Interest Coverage stood at 1.73 times and DSCR at 1.65 times in FY2017 compared to Interest Coverage of 1.85 times and DSCR of 1.74 times in FY2016. The total debt of Rs.13.74 crore mainly includes working capital borrowings of Rs. 6.96 crore, unsecured loans of Rs.1.36 crore and term loan of Rs.3.68 crore as on 31 March, 2017.

Working capital intensive operations, stretched liquidity position

The company has working capital intensive operations marked by Gross Current Asset days of 139 as on 31 March, 2017 as against 129 days in the previous year. The inventory days increased to 57 days as on 31 March, 2017 from 36 days in the previous year. Further, the other current assets also increased to Rs.1.07 crore as on 31 March, 2017 compared to Rs.0.57 crore in the previous year.

Fragmented and competitive industry

The company operates in a highly competitive and fragmented industry characterised by numerous small and large players.

Vulnerability of profitability to volatility in raw material prices

The packaging industry as a whole is vulnerable to fluctuations in the prices of paper and cellulose impacting business operations and profitability.

Analytical approach:

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

Outlook – Stable

SMERA believes that CCPL's outlook will remain stable owing to the extensive experience of the promoter. The outlook may be revised to 'Positive' if CCPL is able to scale up operations with improvement in its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of decline in operating income or deterioration in the financial risk profile.

About the Rated Entity – Key Financials

Particulars	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	41.69	42.28	38.43
EBITDA	Rs. Cr.	3.10	2.44	2.37
PAT	Rs. Cr.	0.26	0.08	(0.10)
EBITDA Margin	(%)	7.44	5.78	6.16
PAT Margin	(%)	0.62	0.18	(0.25)
ROCE	(%)	9.96	7.61	8.59
Total Debt/Tangible Net Worth	Times	3.03	3.16	3.38
PBDIT/Interest	Times	1.73	1.85	1.67
Gross Current Assets	Days	139	129	107

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>
- Application 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>

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

ICRA has reaffirmed the rating of ICRA B Stable, the ratings assigned to the bank facilities of Classic Corrugations Private Limited. The ratings have been reaffirmed, as the firm do not co-operate on the information and fees required by ICRA for monitoring of the rating.

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	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA B+/ Stable
Term Loan - I	Not Applicable	Not Applicable	Not Applicable	2.38	SMERA B+/ Stable
Term Loan - II	Not Applicable	Not Applicable	Not Applicable	0.14	SMERA B+/ Stable
Standby Line of Credit	Not Applicable	Not Applicable	Not Applicable	0.90	SMERA B+/ Stable
Proposed Fund Based Facilities	Not Applicable	Not Applicable	Not Applicable	0.58	SMERA B+/ Stable

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ABOUT SMERA

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