

Press Release

Blow Can Industries

31 January, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs.10.00 Cr.
Long Term Rating	SMERA BB/ Outlook:Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB**' (read as **SMERA double B**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.10.00 crore bank facilities of Blow Can Industries. The outlook is '**Stable**'.

Blow Can Industries (BCI), a partnership firm established in 2002, is engaged in the manufacturing and supply of plastic blow moulded drums, barrels, containers, caps and other plastic articles. The manufacturing facilities are located at Chennai and Pondicherry with installed capacity of 3 Lakh kg/annum. The firm also plans to enter into chemical industry packaging soon.

Key rating drivers

Strengths

Experience management, long track record of operations: BCI was incorporated in 2002 by Mr. Ganesh Mal Baid, who possesses more than two decades of experience in the packaging industry. The operations are currently led by Mr. Dinesh Kumar Baid, son of Mr. Ganesh Mal Baid (B.E – Mechanical), MBA from USA who has been actively involved in the business from 2007. The firm plans to enhance capacity by 50,000 Kg/annum by January 2019.

Established customer base: The firm has healthy relations with suppliers and marquee customers. It caters to Indian Oil Corporation Limited (IOCL), Bharat Petroleum Corporation Limited (BPCL), Hindustan Petroleum Corporation Limited (HPCL), Huntsman International India Pvt Ltd among others.

Steady improvement in revenues: The operating income increased to Rs.28.74 crore in FY2017 from Rs.23.04 crore in FY2016 owing to receipt of orders from BPCL of Rs.24 crore. As on December 2017, the firm has orders worth Rs.55.19 crore from major petrochemical companies providing revenue visibility over the medium..

Moderate working capital management: The firm has moderate working capital management, as reflected in the moderate Gross Current Assets (GCA) of 109 days as on 31 March, 2017 compared to 124 days as on 31 March, 2016 due to moderate debtor and inventory days. The inventory days in FY2017 stood at 47 compared to 54 in FY2016. The receivable days in FY2017 stood at 58 as against 56 in FY2016.

Weaknesses

Average financial risk profile: The average financial risk profile is marked by low net worth, moderate gearing and debt protection metrics. The net worth stood low at Rs.3.91 crore as on 31 March, 2017 compared to Rs.3.41 crore as on 31 March, 2016. The gearing decreased from 1.50 times as on 31 March, 2016 to 1.20 times as on 31 March, 2017 due to partial repayment of term loans. The Interest Coverage Ratio (ICR) increased to 2.28 times as on 31 March, 2017 and 1.76 times as on 31 March, 2016. The Net Cash Accruals to Total Debt (NCA/TD) stood at 0.33 times as on 31 March, 2017.

Vulnerability of margins to fluctuations in raw material prices: The prices of raw materials such as High density polyethylene (HDPE), are vulnerable to fluctuations due to their dependence on crude oil. Since cost of raw materials is high, upward movement in prices would increase cost of sales and thus affect margins. However, BCI has registered comfortable operating margin of 9.33 per cent for FY2017 as against 8.78 per cent for FY2016.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of BCI.

Outlook – Stable

SMERA believes that the firm will maintain a Stable outlook over the medium term on account of the management's experience and established relations with reputed clientele. The outlook may be revised to 'Positive' in case of sustained increase in revenue and accruals while improving the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenue and accruals or deterioration in the financial risk profile.

About the Rated Entity – Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	28.74	23.04	25.28
EBITDA	Rs. Cr.	2.68	2.02	1.16
PAT	Rs. Cr.	0.85	0.27	-0.24
EBITDA Margin	(%)	9.33	8.78	4.59
PAT Margin	(%)	2.94	1.15	-0.96
ROCE	(%)	23.91	17.29	18.08
Total Debt/Tangible Net Worth	Times	1.20	1.50	1.54
PBDIT/Interest	Times	2.28	1.76	1.25
Total Debt/PBDIT	Times	1.72	2.46	3.97
Gross Current Assets (Days)	Days	109	124	118

Any other information:

Not Applicable

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>

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	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA BB/ Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA BB/ Stable (Assigned)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA BB/ Stable (Assigned)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA A4+ (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.30	SMERA A4+ (Assigned)
Proposed Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4+ (Assigned)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.70	SMERA A4+ (Assigned)

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ABOUT SMERA

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