

Press Release

RUCHIRA PRINTING AND PACKAGING

02 February, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 16.01 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 plus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.16.01 crore bank facilities of RUCHIRA PRINTING AND PACKAGING. The outlook is '**Stable**'.

Ruchira Printing and Packaging (RPP) was established in 2004 by Mr Garg and family. The firm manufactures cartons and caters to the packaging industry. The manufacturing facility is located at Sirmour, Himachal Pradesh and has an installed capacity of 10000 MT per annum. The firm is led by partners, Mr. Deepen Garg and Mr. Atul Garg.

Key Rating Drivers

Strengths

- **Experienced management**

The partners, Mr. Deepen Garg and Mr. Atul Garg have more than a decade of experience in the packaging industry.

- **Average financial risk profile**

The financial risk profile of RPP is average marked by net worth of Rs. 6.61 crore as on 31 March, 2017 as against Rs.5.88 crore as on 31 March, 2016. The gearing stood at 2.90 times as on 31 March, 2017 as against 1.79 times as on 31 March, 2016. The total debt of Rs.19.20 crore outstanding as on 31 March, 2017 constitutes Rs. 4.50 crore of term loan, Rs. 8.94 crore of unsecured loans from promoters and Rs. 5.76 crore of short term borrowings from the bank. The adjusted gearing (excluding unsecured loans) stood at 1.55 times as on 31 March, 2017 as against 1.48 times as on 31 March, 2016. The ICR stood at 2.66 times in FY2017 as against 2.45 times in FY2016. The net cash accruals stood at Rs.1.91 crore in FY2017 as against Rs.1.89 crores in FY2016. The NCA/TD stood at 0.10 times in FY2017 as against 0.18 times in FY2016.

- **Reputed customer base**

The firm caters to a reputed customer base including Anchor Electricals, Havells India, Hawkins and Pidilite Industries with orders worth Rs. 2.58 crore. The firm enjoys long term relations with its customers and hence benefits from repeat business.

Weaknesses

- **Working capital intensive operations**

The operations are working capital intensive marked by high GCA days of 195 in FY2017 as against 181 in FY2016. This is majorly on account of high inventory holding period of 156 days in FY2017 as against 128 days in FY2016. The receivable days stood at 45 in FY2016. The firm receives extended credit period from its suppliers of around 120 days which moderates the working capital requirements. The average bank limit utilisation stood at 99 per cent for the last six months ended December

SMERA Ratings Limited

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2017.

• **Highly competitive and fragmented industry**

RPP is engaged in the business of printing and packaging which is highly unorganised and hence faces intense competition from a large number of players.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of Ruchira Printing and Packaging to arrive at the rating.

Outlook: Stable

SMERA believes that RPP will maintain a Stable outlook and continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the firm registers healthy growth in revenues while achieving sustained improvement in profit margins or improvement in the capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues and profit margins or deterioration in the firm's capital structure on account of higher-than-expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17(Actual)	FY16(Actual)	FY15(Actual)
Operating Income	Rs. Cr.	27.01	31.02	28.20
EBITDA	Rs. Cr.	3.02	3.17	3.31
PAT	Rs. Cr.	0.09	0.70	0.65
EBITDA Margin	(%)	11.19	10.22	11.72
PAT Margin	(%)	0.32	2.26	2.32
ROCE	(%)	5.85	12.39	23.97
Total Debt/Tangible Net Worth	Times	2.90	1.79	2.49
PBDIT/Interest	Times	2.66	2.45	2.62
Total Debt/PBDIT	Times	6.29	3.29	3.45
Gross Current Assets (Days)	Days	195	181	184

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

None

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>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of	Coupon	Maturity	Size of the Issue	Ratings/Outlook
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	Issuance	Rate	Date	(Rs. Crore)	
Term loans	Not Applicable	Not Applicable	Not Applicable	3.10	SMERA BB+ / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.30	SMERA BB+ / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	7.51	SMERA A4+
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.10	SMERA A4+

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ABOUT SMERA

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