

## Press Release

### Ruchira Printing and Packaging

June 12, 2019



### Rating Reaffirmed

<b>Total Bank Facilities Rated*</b>	Rs. 16.01 Cr.
<b>Long Term Rating</b>	ACUITE BB+ / Outlook: Stable (Reaffirmed)
<b>Short Term Rating</b>	ACUITE A4+ (Reaffirmed)

\* Refer Annexure for details

### Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BB+**' (**read as ACUITE double B plus**) and the short-term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs.16.01 crore bank facilities of Ruchira Printing and Packaging (RPP). The outlook is '**Stable**'.

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) with an installed capacity of 10000 MT per annum. The firm is led by partners, Mr. Deepen Garg and Mr. Atul Garg.

### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the RPP to arrive at the rating.

### Key Rating Drivers

#### Strengths

- **Experienced promoters and established track record of operations**

The firm is engaged in manufacturing of cartons and caters to packaging industry. The partners of the firm Mr. Deepen Garg, Mr. Atul Garg and Mr. Lucky Garg have more than a decade of experience in the packaging industry. The firm has established relationship with reputed customers such as Anchor, Havells, Wellpack etc., which has helped them to get repeated orders from customers.

Acuité believes that RPP will continue to benefit from the promoter's experience in the industry and its improving business risk profile over the medium term.

- **Moderate financial risk profile**

The financial risk profile of the firm is marked by low net worth, moderate debt protection measures and gearing. The tangible net worth of the firm stood at Rs.5.40 crore as on 31 March 2018 as against Rs.6.61 crore as on 31 March 2017. The decline in net worth is on account of capital withdrawal by the partners. The company has followed an average leverage policy as reflected by average gearing of 1.89 times over the last three years through 2017-18. The gearing of the company is expected to remain at similar levels in the near term. Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 5.04 times as on 31 March 2018 as against 3.86 times as on 31 March 2017 and is estimated to remain between 4.00 to 5.00 times over the near to medium term. The steadily increasing revenues coupled with improving operating margins have resulted in moderate debt protection measures. Interest Coverage Ratio (ICR) improved to 3.07 times in FY2018 against 2.66 times in FY2017.

Acuité believes that the financial risk profile of RPP will continue to remain moderate over the near to medium term on account of its improving scale of operations and sound debt protection measures.

#### Weaknesses

- **Working capital intensive nature of operations**

The operations of the firm are working capital intensive as evident by high GCA days of 171 days in FY2018 as against 195 days in FY2017. This is majorly on account of high inventory holding period of 100 days in FY2018 as against 156 days in FY2017. The receivable days stood at 71 days in FY2018 on

account of extended credit to their customers. The firm receives extended credit period from its suppliers which moderates the working capital requirement. The average bank limit utilisation stood at 93 per cent for the last six months ended April 2019. The firm had taken adhoc limits of upto 1 crore from the bank for the past several months to meet their working capital requirements.

**• Susceptibility of profitability to fluctuation in raw material prices and highly competitive industry**

RPP is engaged in the business of printing and packaging that is highly unorganised and faces intense competition from a high number of players present in the market. RPP's profits are susceptible to fluctuations in raw material prices since the company is unable to pass them off to its customers.

**Liquidity Position:**

Liquidity of RPP is marked by moderate net cash accruals of Rs.2.00-3.00 crores with repayment obligations of around Rs.1.00 crore during the last three years. The cash accruals of the company are expected to improve and remain in the range of Rs.4.00-5.00 crores while repayment obligations are expected to remain in the range Rs.1.00 - 1.50 crores. The firm's working capital operations are intensive as marked by gross current asset (GCA) days of 171 in FY 2018. This has led to high reliance on working capital borrowings as evident by cash credit limit utilisation of around 93 percent (including ad hoc limits of Rs.1 crore) during the last 6 months ended April 2019. The company maintains unencumbered cash and bank balances of Rs.0.06 crore as on March 31, 2018. The current ratio of the company stood moderate at 3.11 times as on March 31, 2018. Acuité believes that the liquidity of the company will remain moderate over the near term on account of increasing net cash accruals sufficient to service repayment obligations and absence of any major debt funded capex plans.

**Outlook: Stable**

Acuité believes that the outlook for RPP will remain stable over the medium term on account of extensive experience of the promoters in the industry. The outlook may be revised to 'Positive' if the firm registers significant and sustainable growth in revenue and profitability while maintaining a comfortable liquidity position and capital structure. Conversely, the outlook may be revised to 'Negative' in case the firm registers significant decline in revenues and cash accruals or the working capital cycle is stretched resulting in deterioration of its financial risk profile.

**About the Rated Entity - Key Financials**

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	36.23	27.01	31.02
EBITDA	Rs. Cr.	4.38	3.02	3.17
PAT	Rs. Cr.	0.61	0.09	0.70
EBITDA Margin	(%)	12.09	11.19	10.22
PAT Margin	(%)	1.68	0.32	2.26
ROCE	(%)	11.72	7.16	12.39
Total Debt/Tangible Net Worth	Times	2.15	1.73	1.79
PBDIT/Interest	Times	3.07	2.66	2.45
Total Debt/PBDIT	Times	2.61	3.75	3.29
Gross Current Assets (Days)	Days	171	195	181

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

None

**Any other information**

Acuité is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

**Applicable Criteria**

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

**Note on complexity levels of the rated instrument**

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

### Rating History (Upto last three years)

Date	Name of Instrument/ Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
12-Apr-2019	Term Loan	Long Term	3.10	ACUITE BB+ (Indicative)
	Cash Credit	Long Term	5.30	ACUITE BB+ (Indicative)
	Letter of Credit	Short Term	7.51	ACUITE A4+ (Indicative)
	Bank Guarantee	Short Term	0.10	ACUITE A4+ (Indicative)
02-Feb-2018	Term Loan	Long Term	3.10	ACUITE BB+ / Stable (Assigned)
	Cash Credit	Long Term	5.30	ACUITE BB+ / Stable (Assigned)
	Letter of Credit	Short Term	7.51	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	0.10	ACUITE A4+ (Reaffirmed)

### \*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 Loan	Not Applicable	Not Applicable	Not Applicable	3.10	ACUITE BB+ / Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.30	ACUITE BB+ / Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	7.51	ACUITE A4+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.10	ACUITE A4+ (Reaffirmed)

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### About Acuité Ratings & Research:

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