

Press Release

Swastika Printing & Packaging (SPP)

13 February, 2018



Rating Assigned

| | |
|---------------------------------|--------------------------|
| Total Instruments Rated* | Rs.6.50 Cr |
| Long Term Rating | SMERA B+/Outlook: Stable |

*Refer Annexure for details

Draft Rating Rationale

SMERA has assigned long term rating of '**SMERA B+**' (**read as SMERA B plus**) on Rs. 6.50 Crore bank facilities of Swastika Printing & Packaging (SPP). The outlook is '**Stable**'.

Established in 2009, Swastika Printing & Packaging (SPP) is partnership firm actively managed by the partners namely, Mr. Jitender Kumar & Mr. Narender Kumar. The company is engaged in manufacturing of mono cartons and corrugated boxes for industrial packaging. Its manufacturing unit is based in Kala Amb town which is in Sirmour district of Himachal Pradesh.

List of key rating drivers and their detailed description

Strengths

Experienced Management

Mr. Narender Kumar has been into the business of Printing & Packaging over a decade along with Mr. Jitender Kumar, who has completed his Masters in Technology and looks after the technical aspects of the business. Mr. K.B. Singh, who is the general manager, looks after the financial as well as day to day management of the business.

Reputed clientele

SPP caters to reputed clients such as Bajaj Group, Eastman Auto Pvt. Ltd, V- Guard, etc. with whom it has long standing relationship.

Average Financial Risk Profile

The financial risk profile of SPP is average marked by a gearing of 2.19 times in FY2017 compared to 2.84 times in FY2016. The networth is low which stood at Rs. 3.53 Crore in FY2017 compared to Rs. 2.86 Crore in FY2016. The Interest Coverage Ratio (ICR) stood moderate at 1.41 times.

Weaknesses

Uneven revenue trend

SPP has been showing an uneven revenue trend from FY2015 to FY2017. The revenue stood at Rs. 23.06 Crore in FY15, Rs. 16.08 Crore in FY16 and Rs.16.77 Crore in FY17. Also the margins show a fluctuating trend. The EBIDTA margins stood at 8.18 per cent in FY2017. The net profit after tax (PAT) margins improved but stood low at 0.80 percent in FY2017.

Working capital intensive operations and stretched liquidity

The operations of SPP are working capital intensive marked by its high GCA days of 310 in FY17 compared to GCA days of 247 in FY16. GCA days are high on account of high inventory and debtor days. Also, the liquidity of the firm is stretched which is reflected by fully utilized bank limits.

Operating in highly competitive and fragmented industry

The Company is engaged in the Manufacturing of corrugated box. The industry is marked by several players in the small, medium and large sector. The company is exposed to the competitive pressure from other players in the industry affecting its operating margins.

Partnership constitution of firm

SPP, being a partnership firm is exposed to risk of capital withdrawal. The partner's capital stood at Rs.3.53 crore in FY2017 as against Rs.2.86 crore in FY2016 and Rs.3.00 crore in FY2015.

Analytical approach: SMERA has considered the standalone business and financial risk profile of SPP.

Applicable Criteria

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

Outlook - Stable

SMERA believes that SPP will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established track record of operations and experienced management. The outlook may be revised to 'Positive' in case the company registers a substantial increase in its scale of operations while achieving better profit margins. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the revenues amidst intensifying competition in its area of operation, or in case of deterioration in the company's financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements and capital expenditures.

About the Rated Entity - Key Financials

| Particulars | Unit | FY17 | FY16 | FY15 |
|-------------|------|------|------|------|
|-------------|------|------|------|------|

| | | | | |
|-------------------------------|---------|-------|-------|-------|
| Operating Income | Rs. Cr. | 16.77 | 16.08 | 23.06 |
| EBITDA | Rs. Cr. | 1.37 | 1.37 | 1.42 |
| PAT | Rs. Cr. | 0.13 | 0.02 | 0.05 |
| EBITDA Margin | (%) | 8.18 | 8.50 | 6.17 |
| PAT Margin | (%) | 0.80 | 0.14 | 0.23 |
| ROCE (%) | (%) | 10.16 | 9.05 | 16.24 |
| Total Debt/Tangible Net Worth | Times | 2.19 | 2.84 | 3.04 |
| PBDIT/Interest | Times | 1.41 | 1.40 | 1.54 |
| Total Debt/PBDIT | Times | 5.52 | 5.67 | 6.38 |
| Gross Current Assets (Days) | Days | 310 | 247 | 178 |

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

CRISIL has in its press release dated September 28, 2017 had inter-alia mentioned the following:

CRISIL has been consistently following up with Swastika Printing and Packaging (SPP) for obtaining information through letters and emails dated July 10, 2017 and August 10, 2017 among others, apart from telephonic communication. However, the issuer has remained non cooperative. Despite repeated attempts to engage with the management, CRISIL failed to receive any information on either the financial performance or strategic intent of Swastika Printing and Packaging. This restricts CRISIL's ability to take a forward Swastika Printing and Packaging is consistent with 'Scenario 1' outlined in the 'Framework for Assessing Consistency of Information with CRISIL BB rating category or lower. Based on the last available information, CRISIL has reaffirmed the rating at 'CRISIL B+/Stable'.

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument:

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

Rating History (Upto last three years)

None

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 Available | 6.50 | SMERA B+/Stable |

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ABOUT SMERA

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