

Press Release

BTR PACKAGING PRIVATE LIMITED

February 14, 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 BB minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 10.00 crore bank facilities of BTR PACKAGING PRIVATE LIMITED. The outlook is '**Stable**'.

BTR Packaging Private Limited was incorporated in the year 2005 by Tandon family. The company is engaged in the business of manufacturing and export of Shopping Bags. The manufacturing unit capacity is around 1600 metric tons.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

The promoters, Tandon family have more than one decade of experience in the said line of business. Such a long experience has helped him in developing good relations with its customers.

- **Moderate financial risk profile**

BTR has moderate financial risk profile marked by increase in gearing, decrease in interest coverage and increase in networth. The gearing of the company stands at 0.17 times as on March 2017 as against 0.07 times as on March, 2016. Moreover, the interest coverage ratio stood at 3.77 times in FY2016-17 as compared to 4.85 times FY2015-16. The networth of the company stood at Rs.16.29 crore in FY17 as against Rs.15.54 crore in FY16. The net cash accrual (NCA)/total debt (TD) is at 0.62 times in FY17 as against 2.28 times in FY16.

Weaknesses

- **Modest revenue and declining margins**

The company has modest revenue of Rs.35.84 crore in FY16-17 as against Rs.35.92 crore in earlier year. The profitability has declined to Rs.0.76 crore in FY16-17 as against Rs.1.70 crore in FY15-16. The net EBITDA margin has declined to 3.05 per cent in FY16-17 as against 12.33 per cent in FY15-16.

- **Susceptibility of profit margins to raw material prices**

The Company's products find their application in packaging industry. The profit margins are susceptible to fluctuations in the raw material prices of resin.

• Intense competition

The Company faces intense competition from various players in overseas which is likely to impact operating performance and profitability.

Analytical Approach

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

Outlook: Stable

SMERA believes that the company will maintain its stable business risk profile on the back of the management's extensive experience in the packaging business. The outlook may be revised to 'Positive' in case of sustained increase in revenues and accruals while improving its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case significant decline in capital structure resulting in further deterioration of financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	37.51	35.92	30.97
EBITDA	Rs. Cr.	2.76	4.43	1.72
PAT	Rs. Cr.	0.76	1.70	-0.16
EBITDA Margin	(%)	7.36	12.33	5.56
PAT Margin	(%)	2.02	4.74	-0.52
ROCE	(%)	10.06	22.90	12.84
Total Debt/Tangible Net Worth	Times	0.17	0.07	0.03
PBDIT/Interest	Times	3.77	4.85	1.67
Total Debt/PBDIT	Times	0.97	0.25	0.22
Gross Current Assets (Days)	Days	104	110	85

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.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)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA BB- / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	3.50	SMERA A4+

FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA A4+
Letter of credit	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA A4+

Contacts

Analytical	Rating Desk
<p>Suman Chowdhury President - SMERA Bond Ratings Tel: 022-67141107 suman.chowdhury@smera.in</p> <p>Mrinal Mahip Executive Analyst - Rating Operations Tel: 011-49731304 mrinal.mahip@smera.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in</p>

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.