

Press Release

A B Polypacks Private Limited (ABPPL)

March 19, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 11.00 Cr.
Long Term Rating	SMERA BBB- / Outlook: Stable
Short Term Rating	SMERA A3

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-**' (**read as SMERA triple B minus**) and short term rating of '**SMERA A3**' (**read as SMERA A three**) on the Rs. 11.00 crore bank facilities of A B Polypacks Private Limited. The outlook is '**Stable**'.

A B Polypacks Private Limited was incorporated in 2007 as a Kolkata based company. It is promoted by Mr. Chinmay Kumar and Mr. Mrinmay Kumar and is engaged in the manufacturing of flexible packaging items such as multilayer film for liquid packaging solutions, shrink film, stretch film, laminated film, and pouches. The company has its manufacturing unit located in Howrah (West Bengal) with an installed capacity of 3000 TPA and is an ISO 9001:2008 unit. The company caters to clients in varied industries such as Tata Bearing Limited, Amul, Coca-Cola, Dupont Fertilizer, Sonic Wheels, Emami Limited, Parle Agro Private Limited, Saj Food Products (P) Limited and Pidilite Industries Limited. Apart from this, the company also supplies to the local food manufacturing companies.

Key Rating Drivers

Strengths

• Experienced Management

The directors of the company Mr Chinmay Kumar and Mr. Mrinmay Kumar have more than 15 years of experience in the plastic industry. The company is engaged into manufacturing of flexible packaging items such as multilayer film for liquid packaging solutions, shrink film, stretch film, laminated film, and pouches. Prior to this, they were into manufacturing of plastic bags through a group entity since 2001.

• Above average financial riskprofile

The above average financial risk profile of the company marked by moderate net worth, high gearing and comfortable debt protection measures. ABPPL has a moderate net worth base of Rs 7.07 crs as on 31st March'2017 as compared to Rs.6.23 crore in FY2016. The gearing of the company stood high at 2.28 times in FY2017 as compared to 1.70 times in the previous year. The total debt of Rs 16.10 crs consists mainly of cash credit of Rs. 9.02 crs term loan of Rs.6.42 crore and unsecured loan from promoters of Rs.0.67 crore. The debt protection measures of the company stood comfortable with interest coverage of 2.55 times in FY'17 as compared to 2.26 times in FY'16. The NCA/TD levels of the company stood at 0.12 times in FY'17 as against 0.17 times in the previous year.

• Established relationship with customers and suppliers:

Over the years ABPPL had established relationship with its customers and suppliers. Its customer includes Tata Bearing Limited, Amul, Coca-Cola, Dupont Fertilizer, Sonic Wheels, Emami Limited, Parle Agro Private Limited, Saj Food Products (P) Limited and Pidilite Industries Limited. Its major supplier for raw material includes Haldia Petro Chemical Limited, Reliance Industries and Dow Chemical's, Jindal Poly Films Limited, IOCL and ink from Sakata Inx (India) Private Limited, Henkel India.

Weaknesses

- **Working capital intensive nature of operation**

The working capital intensive nature of operations is marked by high gross current asset (GCA) days of 150 days in FY2017 as compared to 162 days in FY2016. The inventory days are moderate at 77 days in FY2017 as compared to 108 days in FY2016. The debtor days stand at 52 days in FY2017 and FY2016 respectively. This is mainly due to inherent cyclical nature of FMCG industry

- **Presence in highly competitive and fragmented industry:**

The Indian flexible packaging industry is highly fragmented on account of the low capital intensity, low entry barriers and easy availability of raw materials.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

SMERA believes the outlook on ABPPL rated facilities will remain stable over the medium term backed by its experienced management and above average financial risk profile. The outlook may be revised to 'Positive' in case the improvement in financial risk profile while efficiently managing its working capital cycle. The outlook may be revised to 'Negative' in case of the company its working capital cycle gets stretched or its financial risk profile deteriorates.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	46.06	37.87	31.57
EBITDA	Rs. Cr.	3.80	3.50	3.04
PAT	Rs. Cr.	0.86	0.63	0.44
EBITDA Margin	(%)	8.26	9.25	9.63
PAT Margin	(%)	1.86	1.67	1.41
ROCE	(%)	14.81	17.13	25.47
Total Debt/Tangible Net Worth	Times	2.28	1.70	1.82
PBDIT/Interest	Times	2.55	2.26	2.47
Total Debt/PBDIT	Times	3.94	2.70	3.25
Gross Current Assets (Days)	Days	150	162	137

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

NA

Any other information

NA

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 Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.00	SMERA BBB-/Stable
Proposed Short Term	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A3
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A3

Contacts

Analytical	Rating Desk
Suman Chowdhury President - SMERA Bond Ratings Tel: 022-67141107 suman.chowdhury@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in
Abhishek Dey Executive Analyst - Rating Operations Tel: +91 33 6620 1208 abhishek.dey@smera.in	

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