

Press Release

Mahika Packaging India Limited

26 April, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs.28.00 Cr.
Long Term Rating	SMERA BBB- / 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.28.00 crore bank facilities of Mahika Packaging India Limited. The outlook is '**Stable**'.

Mahika Packaging India Limited (MPIL) was established in 2005. The Mumbai-based company is engaged in the manufacturing of plastic injection molded article, injection blow molded bottles and seamless tubes.

The manufacturing facility is located at Daman with installed capacity of 10 crore for bottle caps, 6 crore for plastic tubes and 1 crore bottles a month each. The company also exports to Australia, Spain, Sri Lanka, UAE and the US.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

The promoters, Mr. Amit Sushil Gupta and Mr. Sumit Sushil Gupta have extensive experience of nearly two decades in the plastic and packaging industry. The company has been able to establish long term relations with customers and suppliers.

- **Established relations with reputed clients**

MPIL caters to a reputed client base including Pidilite Industries Ltd, Unilever, Camlin Limited, Patanjali Ayurved Limited among others.

- **Healthy financial riskprofile**

The net worth of the company stood at Rs.23.39 crore (including unsecured loans from directors of Rs.4.50 crore) in FY2017 as compared to Rs.22.61 crore (including unsecured loans from directors of Rs.4.50 crore) in FY2016 due to ploughing back of profits in business. The debt-equity ratio stood comfortable at 0.35 times in FY2017 as against 0.23 times in FY2016. The Interest Coverage Ratio (ICR) stood comfortable at 5.23 times in FY2017, a decline from 7.50 times in FY2016. The Debt Service Coverage Ratio stood at 3.66 times in FY2017.

Weaknesses

- **Moderate working capital cycle and stretched liquidity profile**

The company has moderate working capital cycle marked by Gross Current Asset (GCA) days of 132 in FY2017 which improved from 145 in FY2016. The debtor period stood high at 108 days in FY2017 and

109 days in FY2016. The liquidity profile of the company is also stretched. The current ratio declined to 0.77 times in FY2017 from 1.33 times in FY2016. Consequently, MPIL's average utilisation of working capital limits stood at ~90 percent in the last six months ended February 2018. SMERA believes that the company needs to focus on overcoming the current working capital crunch in the near future.

• Susceptibility of margins to fluctuations in raw material prices

The company's products find application in the packaging industry. The operating and profit margins are susceptible to fluctuations in the raw material prices of high-density polyethylene (HDPE) and linear polymer (polyethylene) which are linked to fluctuations in crude prices.

Analytical Approach

For arriving at the rating, SMERA has considered the standalone financial and business risk profile of MPIL.

Outlook: Stable

SMERA believes that the company will maintain a 'Stable' outlook over the medium term owing to its established market position and experienced management. The outlook may be revised to 'Positive' in case of substantial increase in scale of operations while achieving better profit margins. Conversely, the outlook may be revised to 'Negative' in case of failure in achieving the projected scalability in revenues or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	37.46	18.59	16.91
EBITDA	Rs. Cr.	6.68	3.64	2.55
PAT	Rs. Cr.	0.78	5.69	-0.83
EBITDA Margin	(%)	17.83	19.58	15.11
PAT Margin	(%)	2.08	30.60	-4.90
ROCE	(%)	10.14	4.81	-0.59
Total Debt/Tangible Net Worth	Times	0.35	0.23	0.29
PBDIT/Interest	Times	5.23	7.50	3.62
Total Debt/PBDIT	Times	1.21	1.43	1.89
Gross Current Assets (Days)	Days	132	145	145

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

Not Applicable

Any other information

None

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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BBB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA BBB- / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	8.00	SMERA A3

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ABOUT SMERA

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