

Press Release

Shree Krishna Packaging

May 17, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 8.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB** (read as SMERA BB)' on the Rs. 8.00 crore bank facilities of Shree Krishna Packaging. The outlook is '**Stable**'.

Established in 2010, Shree Krishna Packaging (SKP) is a partnership firm engaged in manufacturing of new LPG cylinders supplied to oil companies such as IOCL, BPCL & HPCL. The manufacturing facility is located in Kala Amb, Himachal Pradesh. The firm is promoted by Mr. Surender Jain, who looks after the day to day operations having around 35yrs. of experience.

Key Rating Drivers

Strengths

- **Experienced Management**

SKP has been established in the year 2010 as a partnership firm though the full fledged operations began in FY17. The promoter Mr. Surender Jain has 35 yrs. of experience in the industry and Mr. Manish Jain has around 18 yrs. of experience. The company is expected to benefit from the new customers base.

- **Moderate Financial Risk Profile**

The firm has moderate financial risk profile marked by net worth of Rs. 8.89 crore as on 31 March, 2017 as against Rs.4.19 crore as on 31 March, 2016. The gearing stood strong at 0.36 times as on 31 March, 2017 as against 0.58 times as on 31 March, 2016. The total debt of Rs.3.18 cr outstanding as on 31 March, 2017 comprising of short term borrowings from the bank. The Interest Coverage Ratio stood at 4.29 times ending FY2017. The net cash accruals stood at 1.57 crore in FY2017 and NCA/TD at 0.49 times in FY2017.

Weaknesses

- **Nascent stage of operations**

The company began operations in June, 2016 and has only completed one full year of operations. The newly established business is susceptible to any volatility in the industry or any regulation changes by the Government. The scaling up of operations is yet to be seen and would form a key rating sensitivity in the medium term.

- **Customer concentration risk**

The company caters to three main customers in the LPG industry and derives 100% of its revenues from them. Due to the strong bargaining power of the customers, the company has susceptibility in the business due to tender based nature of orders.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of SKP to arrive at this rating.

Outlook: Stable

SKP will maintain a stable business risk profile over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company revenue increase significantly

backed by improvement in profit margins. Conversely, the outlook may be revised to 'Negative' in case the company incurred significant losses and deterioration in its financial risk profile or agro climatic risks.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	26.72	2.06	0.81
EBITDA	Rs. Cr.	2.04	0.25	0.12
PAT	Rs. Cr.	0.65	0.02	-0.59
EBITDA Margin	(%)	7.63	11.93	15.22
PAT Margin	(%)	2.42	0.87	-73.15
ROCE	(%)	12.00	0.32	-3.72
Total Debt/Tangible Net Worth	Times	0.36	0.58	0.76
PBDIT/Interest	Times	4.29	81.47	0.30
Total Debt/PBDIT	Times	1.56	9.65	19.88
Gross Current Assets (Days)	Days	133	712	2327

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

NA

Any other information

Not Applicable

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)

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	8.00	SMERA BB / Stable

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ABOUT SMERA

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