Press Release

Sai Print And Pack

July 27, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 11.00 Cr.
Long Term Rating	ACUITE B / Outlook: Stable

** Refer Annexure for details*

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' **(read as ACUITE B)** on the Rs.11.00 crore bank facilities of Sai Print And Pack. The outlook is **'Stable'**.

The Haryana-based Sai Print and Pack (SPP) was established in 1999 as a proprietorship firm by Mr. Anuj Dayal. The firm is engaged in manufacturing of mono corrugated, non-corrugated and printed cartons. The raw materials like Kraft papers, duplex boards ,adhesives and metalized films which are procured locally from Uttar Pradesh, Haryana and Rajasthan.

Key Rating Drivers

Strengths

- **Experienced management**

  SPP was established by Mr. Anuj Dayal in 1999, who has been engaged with packaging business for nearly two decades. This has helped the firm to build strong relations with reputed customers. SPP's clientele base includes Havells India Limited, Finolex Cables Limited, among others. Acuité believes that SPP will continue to benefit from its established position in the market and experienced management.

- **Stablerevenues and profitability**

  SPP's revenue has been growing at a compound annual growth rate (CAGR) of ~5 percent from FY2016 to FY2018 (Provisional). The firm registered a turnover of Rs.31.35 crore in FY2018 (Provisional), an improvement from Rs.29.80 crore in FY2017 and Rs.28.35 crore in FY2016. The increase in revenues is backed by increase in the number of orders on account of increase in customer base. The profitability margins have experienced downward trend for the period under study. The operating margin declined to 6.56 percent in FY2018 (Provisional) compared to 7.41 percent in FY2017. However, PAT margin increased to 0.45 percent in FY2018 (Provisional) against 0.40 percent FY2017. The firm is diversifying into various sectors and competing with other players in the market. This makes SPP to compromise on profitability margins.

Weaknesses

- **Weak financial risk profile**

  SPP has weak financial risk profile marked by low net worth of Rs.3.08 crore as on March 31, 2018 (Provisional) from Rs.2.93 crore in the previous year. The gearing stood high at 4.32 times as on March 31, 2018 (Provisional) as against 3.83 times in the previous year. The total debt of Rs.13.31 crore in FY2018 (Provisional) comprises of working capital borrowings to the tune of Rs.8.30 crore, unsecured loans from financial institutions of Rs.0.98 crore and long term borrowings from banks of Rs.4.03 crore. Interest Coverage Ratio (ICR) stood moderate at 1.78 times in FY2018 (Provisional) and 1.68 times in FY2017. TOL/TNW stood high at 7.17 times as on March 31, 2018 (Provisional) as against 6.49 times as on March 31, 2017. Acuité believes that the firm's ability to improve its net worth along with debt protection metrics will remain key sensitivity.

- **Working capital intensive nature of operations**

  The operations are working capital intensive marked by high Gross Current Assets (GCA) days of 233 for FY2018 (Provisional) as against 200 days for FY2017. This is on account of inventory holding of 137 days in FY2018 (Provisional) as against 105 days in FY2017 and collection period of 93 days in FY2018 (Provisional) as against 83 days in FY2017. The average cash credit utilisation for the past six months ending June 2018, stood at ~90 percent. Acuité believes that improvement in working capital cycle would be the key rating sensitivity in the medium term.

Analytical Approach
Acuité has considered the standalone financial and business risk profiles of SPP to arrive at the rating.

Outlook: Stable
Acuité believes that the outlook on SPP will remain 'Stable' over the medium term on account of promoter's experience in the industry. The outlook may be revised to 'Positive' if the firm registers growth in profitability margins while maintaining a comfortable liquidity position and capital structure. Conversely, the outlook may be revised to 'Negative' in case of significant decline in cash accruals or further deterioration of its financial risk profile due to higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	31.35	29.80	28.35
EBITDA	Rs. Cr.	2.06	2.21	2.17
PAT	Rs. Cr.	0.14	0.12	0.21
EBITDA Margin	(%)	6.56	7.41	7.64
PAT Margin	(%)	0.45	0.40	0.75
ROCE	(%)	8.60	10.71	21.28
Total Debt/Tangible Net Worth	Times	4.32	3.83	3.23
PBDIT/Interest	Times	1.78	1.68	1.91
Total Debt/PBDIT	Times	6.38	5.06	4.46
Gross Current Assets (Days)	Days	233	200	193

Status of non-cooperation with previous CRA (if applicable)
None

Any other information
None

Applicable Criteria

- Default Recognition - https://www.acuite.in/criteria-default.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-4.htm
- Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-20.htm

Note on complexity levels of the rated instrument
https://www.acuite.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	7.00	ACUITE B / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.30	ACUITE B / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	3.70	ACUITE B / Stable

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About Acuité Ratings & Research:
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