

Press Release

Orient Pack-N-Print

October 04, 2019

Rating Upgraded



Total Bank Facilities Rated*	Rs. 5.00 Cr.
Long Term Rating	ACUITE BBB / Outlook: Stable (Upgraded from ACUITE BBB- /Stable)

* Refer Annexure for details

Rating Rationale

Acuite has upgraded long-term rating to '**ACUITE BBB**' (read as **ACUITE triple B**) from **ACUITE BBB-** (read as **ACUITE triple B minus**) on the Rs. 5.00 crore bank facilities of ORIENT PACK-N-PRINT. The outlook is 'Stable'.

Orient Pack-N-Print was established in the year 1983 as a partnership concern by Indore-based Badjatia family. The day-to-day activities of the company is managed by Mr. Prem Chandra Badjatia, Mr. Sharad Kumar Jain, Mr. Hemant Badjatia and Mr. Arvind Badjatia. The firm is engaged in the business of printing of leaflets for pharmaceutical companies. The firm generally manufactures multicolored leaflets on varied paper thickness ranging from 28 GSM to 70 GSM, depending upon the company's requirement. The firm purchases its raw materials such as paper, ink and chemicals from ITC Ltd and Technova Imaging Systems Private Limited. Currently, the firm is catering to the states of Himachal Pradesh, Uttar Pradesh, Telangana, Karnataka, Maharashtra, and Madhya Pradesh.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the firm for arriving at the rating.

Key Rating Drivers

Strengths

- **Long track record of operations and reputed clientele**

Orient Pack-N-Print (OPNP) was established in the year 1983 as a partnership firm by Indore-based Badjatia family. The promoters of the firm are having experience of more than three decades in the same line of business. It is catering to reputed clients - Sun Pharmaceutical Industries Limited, Ajanta Pharma Limited, Dr. Reddy's Laboratories Limited, Intas Pharmaceuticals Limited, IPCA Laboratories Limited, Mylan Laboratories Limited, Piramal Enterprises Limited, Torrent Pharmaceuticals Limited. Further the firm is catering to the states such as Himachal Pradesh, Uttar Pradesh, Telangana, Karnataka, Maharashtra, and Madhya Pradesh.

- **Comfortable profitability margin**

OPNP reported operating margin of 28.64 per cent (Provisional) in FY2019 as against 23.91 per cent in FY2018. The increase was on account of decrease in raw material cost. The PAT (profit after tax) margins have improved to 10.45 per cent (Provisional) in FY2019 compared to 10.17 per cent in FY2018. This is on account of company's policy to deal with reputed clientele.

- **Healthy financial risk profile**

The company is comfortable financial risk profile marked by healthy net worth, low gearing and healthy debt protection measures. The net worth of the company stood at Rs.26.97 crore as on 31 March, 2019 (Provisional) as against Rs.20.85 crore in the previous year. The gearing stood low (debt to equity ratio) of at 0.27 times (Provisional) as on March 31, 2019 compared to 0.29 times in the previous year. The interest coverage ratio (ICR) stood at 12.98 times (Provisional) as on March 31, 2019 as against 11.57 times in the previous year. The NCA/TD ratio stood at 1.61 (Provisional) as on March 31, 2018 as against 0.87 times in the previous year. The total outside liabilities to tangible net worth (TOL to TNW) stood at 0.29 times (Provisional) as on March 31, 2019 as against 0.33 times as on March 31, 2018.

- **Efficient working capital cycle**

OPNP's working capital cycle are efficiently managed which is marked by gross current assets (GCA) of 131 days (Provisional) for FY2019 and FY2018. The comfortable GCA days is on account of comfortable debtor days of 86 days (Provisional) as on 31 March, 2019 as against 90 days in the previous year and Inventory holdings of 20 days as on 31 March, 2019 (Prov) as against 23 days in previous year. Further, the liquidity position of the company is comfortable as the company maintains credit balance in the cash credit account.

Weaknesses

- **Modest scale of operations**

The firm has reported operating income of Rs. 36.84 crore (Provisional) for FY2019 as compared to Rs. 27.80 crore in the previous year in spite of being in operation for more than three decades.

- **Vulnerability of margins to fluctuations of raw material prices**

The firm purchases paper, ink and chemicals as raw materials, which constitutes about ~49 per cent of the total sales, so increase or decrease in the raw material prices affects the profitability margins of the firm.

- **Partnership based constitution**

OPNP's financial risk profile is susceptible to inherent risk of capital withdrawal associated with the partnership constitution of the firm.

Rating Sensitivities

OPNP's ability to improve the scale of operation with improvement in profitability, sustenance of the comfortable financial risk profile are the key rating sensitivity.

Material Covenants

None

Liquidity Profile

OPNP has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The firm generated cash accruals of ~Rs.3.99 crore – Rs. 8.54 crore during the last three years through 2017-2019, while there maturing debt obligations in range of Rs.0.99 crore-Rs.1.20 crore over the same period. The cash accruals are estimated to remain at around Rs.10.39-16.97 crore during 2020-22. The firm's working capital cycle is efficiently managed marked by Gross Current Asset (GCA) days of 131 in FY 2019. OPNP maintains unencumbered cash and bank balances of Rs.1.83 crore as on March 31, 2019. The current ratio stood moderate at 6.34 times as on March 31, 2019. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals against no major debt obligation.

Outlook: Stable

Acuite believes that OPNP will maintain 'Stable' business risk profile over the medium term on account of its established track record of operations and experienced management. The outlook may be revised to 'Positive' in case the company registers significant growth in revenue and profitability while effectively managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case the company registers deterioration in its liquidity profile or financial risk profile due to major debt funded capex plan or higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	36.84	27.80	25.48
EBITDA	Rs. Cr.	10.46	6.65	5.43
PAT	Rs. Cr.	3.77	2.83	2.08
EBITDA Margin	(%)	28.41	23.91	21.30
PAT Margin	(%)	10.22	10.17	8.17
ROCE	(%)	19.43	18.51	17.08
Total Debt/Tangible Net Worth	Times	0.27	0.29	0.29
PBDIT/Interest	Times	12.87	11.57	7.21
Total Debt/PBDIT	Times	0.69	0.88	0.84
Gross Current Assets (Days)	Days	131	131	108

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
08-Aug-2018	Cash Credit	Long Term	2.00	ACUITE BBB- / Stable (Assigned)
	Term Loan	Long Term	0.11	ACUITE BBB- / Stable (Assigned)
	Term Loan	Long Term	2.89	ACUITE BBB- / Stable (Assigned)

*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	2.00	ACUITE BBB / Stable (Upgraded from ACUITE/BBB-/Stable)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.11	ACUITE BBB / Stable (Upgraded from ACUITE/BBB-/Stable)
Term loans	Not Applicable	Not Applicable	Not Applicable	2.89	ACUITE BBB / Stable (Upgraded from ACUITE/BBB-/Stable)

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About Acuité Ratings & Research:

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