

Press Release

Orient Pack-N-Print

November 13, 2020

Rating Upgraded, Assigned & Withdrawn



Total Bank Facilities Rated*	Rs. 6.60 crore* (Enhanced from Rs. 5.00 crore)
Long Term Rating	ACUITE BBB+/ Outlook: Stable (Upgraded from ACUITE BBB/ Stable)

* Refer Annexure for details

Rating Rationale

Acuite has upgraded the long-term rating to **'ACUITE BBB+' (read as ACUITE triple B plus)** from **'ACUITE BBB' (read as ACUITE triple B)** on the Rs. 2.03 crore bank facilities of Orient Pack-N-Print (hereinafter referred to as OPP). The outlook is **'Stable'**.

Also, Acuite has assigned the long-term rating of **'ACUITE BBB+' (read as ACUITE triple B plus)** on the Rs. 4.57 crore bank facilities of OPP. The outlook is **'Stable'**.

Further, Acuite has upgraded and withdrawn the long-term rating of **'ACUITE BBB+' (read as ACUITE triple B plus)** on the Rs. 3.00 crore bank facilities of OPP.

Reason for rating upgrade

The rating upgrade reflects the improved scale of operations supported by healthy profitability margins, improvement in financial risk profile, efficiently managed working capital operations and strong liquidity position of the firm. The operating income of OPP has increased at a CAGR of 17.05 per cent over the last 5 years on the back of continuous and repetitive orders from the reputed customers marked by an operating income of Rs. 43.51 crore in FY2020 (Provisional) as against Rs. 36.84 crore in FY2019. OPP has also booked revenue of Rs. 29.74 crore in 7MFY2021 despite having no sales in April and for the most of May. The firm has been able to maintain healthy profitability marked by EBITDA margin of 25.53 per cent and net profit margin of 16.44 per cent in FY2020 (Provisional).

Further, there is a significant improvement in overall financial risk profile on account of healthy net worth, gearing and debt-coverage indicators. Net worth stood healthy at Rs. 36.73 crore as on March 31, 2020 (Provisional) as against Rs. 26.86 crore as on March 31, 2019. Gearing improved from 0.27 times as on March 31, 2019 to 0.05 times as on March 31, 2020 (Provisional) supported by improvement in interest coverage ratio to 31.79 times as on March 31, 2020 (Provisional) as against 12.56 times as on March 31, 2019 and debt service coverage ratio to 28.26 times as on March 31, 2020 (Provisional) as against 4.62 times as on March 31, 2019.

The rating upgrade also derives comfort from a strong liquidity position of the firm as evident from healthy net cash accruals of Rs. 9.78 crores in FY2020 (Provisional) against maturing debt obligations amounting to Rs. 0.99 crore for the same period, thereby resulting in sufficient cash accruals to support incremental working capital requirements and lower dependence on working capital limits with negligibly utilized working capital limits.

About the firm

Orient Pack-N-Print was established in the year 1983 as a partnership firm and is engaged in the business of printing of leaflets for pharmaceutical companies. OPP prints multi-coloured leaflets on varied paper thickness ranging from 28 GSM to 70 GSM as per customer's requirements. The day-to-day operations of OPP is managed by Mr. Prem Chandra Badjatia, Mr. Sharad Kumar Jain, Mr. Hemant Badjatia and Mr. Arvind Badjatia. The printing press of the firm is located in Indore. At

present, the firm is catering to pharmaceutical companies located in the states such as Himachal Pradesh, Uttar Pradesh, Telangana, Karnataka, Maharashtra and Madhya Pradesh.

Analytical Approach

Acuite has considered the standalone view of business and financial risk profile of OPP to arrive at this rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

Established in the year 1983, OPP is promoted by Mr. Prem Chandra Badjatia, Mr. Sharad Kumar Jain, Mr. Hemant Badjatia and Mr. Arvind Badjatia, who have an experience of more than three decades in the aforementioned industry.

Owing to its established track record of operations and management experience, the firm has been able to develop long-term relationships with its customers and suppliers. The firm has booked a revenue of Rs. 43.51 crore in FY2020 (Provisional) as compared to Rs. 36.84 crore in FY2019 and Rs. 27.88 crore in FY2018. Further, the firm has booked a revenue of Rs. 29.74 crore for the seven-months period ended as on 31st October, 2020.

Acuite believes that OPP will continue to benefit from its established track record of operations, experienced management and long-standing relationships with its customers and suppliers.

- **Healthy profitability margins**

OPP has reported an operating profit margin of 25.53 per cent in FY2020 (Provisional) as against 27.70 per cent in FY2019. The decline in the margin is on account of increased raw material cost. The firm has witnessed an improvement in its net profit margin to 16.44 per cent in FY2020 (Provisional) from 10.24 per cent in FY2019.

- **Healthy financial risk profile**

The financial risk profile of the firm is healthy marked by strong net worth, healthy gearing, healthy debt protection metrics and coverage indicators.

The net worth of OPP is healthy, estimated at around Rs. 36.73 crore as on March 31, 2020 (Provisional). The net worth levels have seen significant improvement over the last three years through FY2020 on account of healthy profitability.

OPP has followed a conservative financial policy in the past, the same is reflected through its peak gearing and total outside liabilities to tangible net worth (TOL/TNW) levels of 0.30 times and 0.34 times as on March 31, 2018, over the past three years. The leverage levels improved at 0.05 times as on March 31, 2020 (Provisional). The total debt of Rs. 1.74 crore as on 31 March 2020 (Provisional) comprised of long-term borrowings of Rs. 1.52 crores and unsecured loans of Rs. 0.22 crore.

Healthy profitability has led to healthy debt coverage indicators of the OPP marked by debt-service-coverage-ratio of 28.26 times as on 31st March, 2020 (Provisional) as against 4.62 times as on 31st March, 2019 and interest coverage ratio of 31.79 times as on 31st March, 2020 (Provisional) as against 12.56 times as on 31st March, 2019. Currently, there are no plans for capital expansion in the firm to be executed over medium-term. Further, healthy net cash accruals have resulted in lower dependence on its working capital limits, resulting in negligible utilization of its working capital limits.

Acuite believes that the financial risk profile of OPP will continue to remain healthy on account of healthy profitability, strong net worth and healthy debt protection metrics.

• Working capital efficient nature of operations

OPP has efficiently managed working capital operations marked by gross current assets (GCA) of 98 days in FY2020 (Provisional) as compared to 131 days in FY2019. This is on account of debtors' collection period of 66 days in FY2020 (Provisional) as against 86 days in FY2019 and inventory holding period of 14 days in FY2020 (Provisional) as against 19 days in FY2019. The working capital limits are negligibly utilized for the last six months ended September, 2020. Further, the current ratio of OPP stood at 12.02 times as on March 31, 2020 (Provisional).

Acuité expects the working capital operations of the OPP to remain efficient on account of level of inventory to be maintained and the credit given to its customers.

Weaknesses**• Modest scale of operations**

In spite of being in operations for more than three decades, the firm has a restricted scale of operations marked by operating income of Rs. 43.51 crore in FY2020 (Provisional) as against Rs. 26.84 crore in FY2019.

• Susceptibility of margins to raw material prices

The firm purchases paper, ink and chemicals as raw materials, which constitutes about ~65 per cent of the total cost of sales. Therefore, an increase or decrease in the raw material prices makes the profitability margins of the firm vulnerable to fluctuation.

Rating Sensitivity

- Significant improvement in the scale of operations.
- Significant deterioration in its working capital management.
- Decline in profitability levels, thereby impacting firm's debt coverage indicators.

Material Covenants

None

Liquidity: Strong

OPP has strong liquidity profile marked by healthy net cash accruals to its maturing debt obligations. The firm has generated cash accruals of Rs. 9.78 crore for FY2020 (Provisional), while its maturing debt obligations were Rs. 0.99 crore for the same period. The firm's working capital operations are efficiently managed, marked by Gross Current Asset (GCA) of 98 days for FY2020 (Provisional). The company maintains unencumbered cash and bank balances of Rs. 2.05 crore as on 31 March, 2020 (Provisional). The working capital limit of OPP remains negligibly utilised in the last six months till September 2020. The current ratio of the firm stood at 12.02 times as on March 31, 2020 (Provisional). Acuité believes that the liquidity of the firm is likely to remain strong over the medium term on account of healthy cash accruals against debt repayments over the medium term.

Outlook: Stable

Acuité believes that OPP will maintain a 'Stable' outlook over the medium term on the back of partners' extensive experience in the industry and long-standing relationships with its customers. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in its revenue and profitability while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the firm registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in the working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	43.51	36.84
PAT	Rs. Cr.	7.15	3.77
PAT Margin	(%)	16.44	10.24
Total Debt/Tangible Net Worth	Times	0.05	0.27
PBDIT/Interest	Times	31.79	12.56

Status of non-cooperation with other CRA

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to previous three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
04 October 2019	Cash Credit	Long term	2.00	ACUITE BBB/ Stable (Upgraded)
	Term Loan	Long term	0.11	ACUITE BBB/ Stable (Upgraded)
	Term Loan	Long term	2.89	ACUITE BBB/ Stable (Upgraded)
08 August 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)
Term Loan	Not Available	Not Applicable	Not Available	0.11	ACUITE BBB+/ Stable (Upgraded & Withdrawn)

Term Loan	Not Available	Not Applicable	Not Available	2.89	ACUITE BBB+/ Stable (Upgraded & Withdrawn)
Term Loan-VI	July 2018	9.20%	March 2021	0.97	ACUITE BBB+/ Stable (Assigned)
Term Loan-VII	October 2020	9.10%	September 2025	3.60	ACUITE BBB+/ Stable (Assigned)
Proposed Bank Facilities	Not Applicable	Not Applicable	Not Applicable	0.03	ACUITE BBB+/ Stable (Upgraded)

Contacts

Analytical	Rating Desk
Aditya Gupta Head-Corporate and Infrastructure Sector Tel: 022-49294041 aditya.gupta@acuited.in Charu Mahajan Rating Analyst - Rating Operations Tel: 011-49731313 charu.mahajan@acuited.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-67141160 rating.desk@acuited.in

About Acuite Ratings & Research:

Acuite Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuite rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuite ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuite, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuite is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuite ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuited.in) for the latest information on any instrument rated by Acuite.