

Press Release

George And George Hygiene Products Private Limited

November 26, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 5.50 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs. 5.50 crore bank facilities of George And George Hygiene Products Private Limited (GGHP). The outlook is '**Stable**'.

The Mumbai based, George and George Hygiene Products Private Limited (erstwhile Modern Paper Products) was established as a proprietorship firm in 1986 by Mr. T.K. George. The firm got amalgamated with its sister concern 'Lotus Tissues' and the constitution was changed to private limited company in 2005. The Directors of the company are Mr. Vipin George and Mrs. Ammini George. The company is engaged in manufacturing of various types of tissue papers such as Napkins, Toilet Rolls, Kitchen Rolls, among others. The manufacturing unit has an installed capacity of 100 tons per month with average utilisation of ~75 percent.

Analytical Approach

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

Key Rating Drivers

Strengths

• Established track record of operations and experienced management

GGHP was established as a proprietorship firm in 1986 and the constitution was changed to private limited company in 2005, thus having an operational track record of over three decades. The company is promoted by Mr. Vipin George (Managing Director) who possess over three decades of experience in the paper products industry. Hence, long track records of operations and vast experience of management has helped the company develop healthy relationship with its customers and suppliers. Acuite believes that GGHP will sustain its existing business profile on the back of established track record of operations and experienced management.

Weaknesses

• Small scale of operations and profitability

The company has small scale of operations marked by operating income of Rs.8.88 crore in FY2018 as against Rs.5.35 crore in FY2017. EBITDA margins have improved to 9.46 percent in FY2018 as against 8.91 percent in FY2017. Profit after Tax (PAT) margin stood at 3.37 percent in FY2018 as against 3.53 percent in FY2017.

• Average financial risk profile

The financial risk profile of the company remained average marked by net worth of Rs.1.01 crore as on 31 March, 2018 as against Rs.0.64 crore as on 31 March, 2017. The gearing (debt-equity) stood at 4.30 times as on 31 March, 2018 as against 2.82 times as on 31 March, 2017. The total debt of Rs.4.33 crore as on 31 March, 2018 mainly comprises Rs.4.08 crore of working capital facility, Rs.0.22 crore of unsecured loans and Rs.0.03 crore of long term debt. Interest Coverage Ratio (ICR) stood at 3.69 times for FY2018 as against 4.23 times for FY2017. NCA/TD (Net Cash Accruals to Total Debt) ratio remained at 0.12 times in FY2018 and 0.16 times in FY2017. Debt to EBITDA stood at 4.84 times in FY2018 as against 3.15 times in FY2017.

• Working capital intensive operations

The company has working capital intensive nature of operations marked by Gross Current Assets (GCA) of 224 days for FY2018 as against 143 days for FY2017. This is mainly due to high debtor days of 113 for FY2018 as against 15 days for FY2017. The reason for high debtors is delay in payments from its major customer - Ministry of Defence (Government of India). The inventory days stood at 121 for FY2018 as against 138 days for FY2017. Acuite believes that the company's ability to maintain its working capital efficiently will remain a key to maintain stable credit profile.

Outlook: Stable

Acuite believes that GGHP will maintain 'Stable' outlook over the medium term on back of experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues while improving profitability along with improved financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the company 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 working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	8.88	5.35	5.19
EBITDA	Rs. Cr.	0.84	0.48	0.33
PAT	Rs. Cr.	0.37	0.17	-0.02
EBITDA Margin	(%)	9.46	8.91	6.43
PAT Margin	(%)	4.13	3.26	-0.44
ROCE	(%)	19.56	18.04	18.15
Total Debt/Tangible Net Worth	Times	4.30	2.82	3.20
PBDIT/Interest	Times	3.69	4.23	2.14
Total Debt/PBDIT	Times	4.84	3.51	4.13
Gross Current Assets (Days)	Days	224	143	119

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	4.00	ACUITE B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4

Sublimit of Cash Credit includes ODBD of Rs. 1.40 crore.

Contacts

Analytical	Rating Desk
<p>Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in</p> <p>Priyal Jain Analyst - Rating Operations Tel: 022-49294065 priyal.jain@acuiterratings.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings 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 Acuité 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. Acuité 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, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité 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. Acuité 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.acuite.in) for the latest information on any instrument rated by Acuité.