

Press Release

Ruchira Packaging Product Private Limited

D-U-N-S® Number: 67-583-6522

February 08, 2019

Rating Assigned



| | |
|-------------------------------------|-----------------------------|
| Total Bank Facilities Rated* | Rs.7.00 Cr. |
| Long Term Rating | ACUITE BB / Outlook: Stable |

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) to the Rs.7.00 crore bank facilities of RUCHIRA PACKAGING PRODUCT PRIVATE LIMITED (RPPPL). The outlook is '**Stable**'.

RPPPL was incorporated in 1999 by Mr. Umesh Garg along with his three sons. RPPPL is engaged in manufacturing of core pipe. The manufactured portfolio has applications in polyfilm industry, paper industry and textile industry. RPPPL has manufacturing unit located in Kala Amb (Himachal Pradesh) with installed capacity of 8000 MT per year. The utilisation is approximately 85 percent.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management and reputed customers**

Mr. Umesh Garg has extensive experience of more than three decades in the paper industry. he is equally supported by Mr. Atul Garg, Mr. Deepan Garg and Mr. Lucky Garg who have experience of more than a decade in the same industry. RPPPL has built strong relations with reputed customers such as Jindal Poly Films Limited, Uflex Limited and ITC Papers Mills to name a few.

Acuite believes that the company will continue to benefit from its promoters' extensive industry experience over the long term.

- **Average financial risk profile**

The financial risk profile of RPPPL is average marked by low net worth, moderate gearing and comfortable debt protection metrics. The net worth stood at Rs.5.08 crore as on 31 March, 2018 with moderate gearing ratio which stood at 1.69 times as on 31 March, 2018 as against net worth of Rs.4.63 crore with gearing of 0.92 times as on 31 March, 2017. Interest Coverage Ratio (ICR) stood at 3.37 times in FY2018 as against 2.39 times in FY2017. Total Outside Liabilities to Tangible Net Worth (TOL/TNW) stood at 2.72 times in FY2018 and 2.12 times in FY2017.

Weaknesses

- **Working capital intensive operations**

The operations are working capital intensive marked by high Gross Current Assets (GCA) of 120 days in FY2018 and 156 days in FY2017. The GCA days stood high on account of high debtor days of 87 days in FY2018 compared to 85 days in FY2017. RPPPL maintains inventory of all three types - raw material (30 days), work-in-progress (20 days) and finished goods (20 days). Further, the bank limit utilisation for last three months stood at an average of 90 percent ending October 2018.

- **Intense competition**

The company manufactures spiral winded paper tubes and is exposed to intense competition marked by several organised and unorganised players in the industry.

Liquidity Position:

RPPPL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.0.68 to Rs.1.38 crore during the last three years through 2017-18, while its maturing debt obligations were in the range of Rs.0.07-0.50 crore over the same period. The cash accruals of the group are estimated to remain around Rs. 1.42 – 1.81 crore during 2019-21 while its repayment obligation is estimated to be around Rs.0.55 Crore. The company's operations are moderately working capital intensive as marked by gross current asset (GCA) days of 120 in FY 2018. RPPPL maintains unencumbered cash and bank balances of Rs.0.12 crore as on March 31, 2018. The current ratio of the RPPPL stands healthy at 1.17 times as on March 31, 2018. Acuite believes that the liquidity of the RPPPL is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuite believes that RPPL will maintain 'Stable' outlook over the medium term on account of the experienced management and healthy relationships with reputed customers. The outlook may be revised to 'Positive' in case of efficient management of working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of decline in operations or deterioration in financial risk profile.

About the Rated Entity - Key Financials

| | Unit | FY18 (Actual) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 33.22 | 25.00 | 22.75 |
| EBITDA | Rs. Cr. | 2.31 | 1.48 | 1.20 |
| PAT | Rs. Cr. | 0.49 | 0.40 | 0.28 |
| EBITDA Margin | (%) | 6.96 | 5.92 | 5.23 |
| PAT Margin | (%) | 1.47 | 1.59 | 1.22 |
| ROCE | (%) | 12.42 | 9.80 | 18.47 |
| Total Debt/Tangible Net Worth | Times | 1.69 | 0.92 | 0.83 |
| PBDIT/Interest | Times | 3.37 | 3.28 | 2.88 |
| Total Debt/PBDIT | Times | 3.78 | 2.86 | 3.39 |
| Gross Current Assets (Days) | Days | 120 | 156 | 157 |

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

CRISIL, vide its press release dated December 19, 2018 has denoted the rating of Ruchira Packaging Products Private Limited as 'CRISIL BB/Stable Issuer Not Cooperating' on account of lack of adequate information required for monitoring of ratings.

Any other information

Not Applicable

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 | 4.50 | ACUITE BB / Stable (Assigned) |
| Term loans | Not Applicable | Not Applicable | Not Applicable | 2.50 | ACUITE BB / Stable (Assigned) |

Contacts

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|--|---|
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About Acuité Ratings & Research:

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