Press Release

Techografix Printpack Private Limited

February 15, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs. 7.00 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 plus)** to the Rs. 7.00 crore bank facilities of Techografix Printpack Private Limited (TPPL). The outlook is **'Stable'**.

TPPL, incorporated on 24 May, 2011, has its operations located in Ahmedabad (Gujarat). The company initially planned to start operations as a drug testing laboratory but has now changed its business plan. It now plans to manufacture pharmaceutical packaging material and expects to begin operations from April, 2019. The company is promoted by Mr. Sharad Pokharna and Mr. Anshu Agrawal.

They currently plan to do business in states of Uttar Pradesh, Gujarat, Uttarakhand to name a few. The expected installed capacity is 1 lakh sheets per day and average utilisation is expected to be around 40 percent in the first year of operations. The management plans to utilise 10 percent incrementally with each passing year and currently have 26 employees.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management:**
  Mr. Sharad Pokharna has experience in similar line of business of more than two decades. His other directorship company- Sharad Packaging Private Limited is engaged in aluminum packaging for pharmaceutical products. This acts as a strong support for TPPL in the form of an established base of customers. Further, nearly 33 per cent of the shareholding is from the Directors of Finecure Pharmaceuticals Limited. This will account for nearly 30 percent of sales of the company from the first year of operations. Due to this, they have existing relationships with possible future customers which gives them confidence for their forecasted sales.

Weaknesses

- **Nascent stage of operations and existing competition**
  The company started its production planning in 2017 but is yet to start operations. The company is expected to start its operations by April 2019. The company plans to utilise higher capacity for higher sales. This will be a crucial rating sensitivity factor for the company. Further, the packaging industry in the secondary segment is extremely fragmented with large number of players in both the organised and unorganised segments.

- **Project implementation risk**
  The company is yet to start production and any delay in the establishment of manufacturing facilities will delay projected sales even further. This could adversely impact debt repayment capabilities and liquidity of the company. The total cost of the project stands at Rs.9.21 crore and the company intends to fund the majority of it through debt.

Liquidity Position
TPPL has a stretched liquidity position. We do not expect any positive net cash accruals in the first year of operations and expect maturing debt obligations to stand Rs. 1.62 crore for FY2018-19. Acuité believes that the promoters would support the company till operations stabilize. The liquidity of the company is likely to remain stretched over the medium term on account of nascent stage of operations and will rely on the ability of the promoters to fund the liquidity deficit in the initial stage of operations.

Outlook: Stable

Acuité believes that TPPL will maintain a 'Stable' outlook and continue to benefit over the medium term owing to its promoters' extensive industry experience. The outlook may be revised to 'Positive' in case of sustained improvement in the scale of operations and profitability while maintaining comfortable financial risk profile and liquidity position. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected capacity utlisation resulting in lower than expected revenues impacting the accruals and/or if the financial risk profile weakens, because of stretch in working capital cycle or higher than expected debt-funded capital expenditure.

About the Rated Entity - Key Financials
Not Applicable as the company plans to commence operations from April 2019.

Status of non-cooperation with previous CRA (if applicable)
Not Applicable

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
Term loans	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE B+ / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B+ / Stable

Contacts

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About Acuité Ratings & Research:
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