Press Release

GRABECO PACKAGING LLP

D-U-N-S® Number: 67-548-3832

February 25, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 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)** to the Rs. 10.00 crore bank facilities of GRABECO PACKAGING LLP (GPLP). The outlook is **'Stable'**.

Established in 2018, GPLP is a Rajasthan-based firm promoted by Mr. Anil Kumar Sharma and his family. The firm will be engaged in manufacturing of biodegradable disposable tableware and packaging for industrial purposes. The raw materials required are sugarcane bagasse pulp, bamboo pulp and soft wood Pulp from the renewable resources such as Pine and Eucalyptus which will be procured locally. The firm has its manufacturing unit located in Neermana (Rajasthan) with installed capacity of 18,000 kg per month for tableware and 60 tonnes per month. The firm is expected to start its operations from May, 2019.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Operational Support from Schon Ultrawares Private Limited**

GPLP has signed a Memorandum of Understanding (MoU) with Schon Ultrawares Private Limited (SUPL) for setting-up of a production plant of Biodegradable products (Tableware) by which it will receive complete technical know- how, commissioning of the plant and training of staff, handholding of new management to ensure smooth transition. GPLP will pay one-time fee equal to 10 percent of the project cost against the same. The products of GPLP will be sold under SUPL's brand name i.e. 'Grabeco' along with complete marketing support for next 5 years against which GPLP will have to pay a royalty of 5 percent of net sales.

SUPL was incorporated in 2000 and is engaged in manufacturing of biodegradable tableware such as Plates, Bowls, Trays, Clamshell Boxes, Wall Panel and Pulp Molded Packaging. The Partner, Mr. Anil Kumar Sharma has been engaged in the manufacture of biodegradable tableware for a year through his association with SUPL.

Weaknesses

- **Debt funded capital expenditure**

The total project cost of GPLP is Rs.12.00 crore which is financed through a proposed term loan of Rs.9.00 crore and promoter's fund of Rs.3.00 crore. The commercial production of the unit is expected to start in May 2019. However, the project is exposed to time and costs overrun risk. Acuité believes that the firm's ability to generate cash accruals over the medium term would be a key sensitivity factor.

- **Project implementation risk**

The company is yet to start production and any delay in the establishment of manufacturing facility will delay projected sales even further. This could adversely impact debt repayment capabilities and liquidity of the company. This will be a crucial rating sensitivity factor for the firm. Further, the packaging industry, in the secondary segment, is extremely fragmented with large number of players in both the organised and unorganised segments.

Liquidity Position:

Acuité expects that the liquidity position of GPLP to be moderate for the first year of operations and expects maturing debt obligations to stand at Rs.1.20-1.80 crore during FY2018-19 to FY2020-21. Acuité believes that the promoters would support the company till operations stabilise. 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 GPLP will maintain 'Stable' business risk profile on account of the management's experience in this industry. 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 utilisation resulting in lower than expected revenues impacting 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

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	NA	NA	NA
EBITDA	Rs. Cr.	NA	NA	NA
PAT	Rs. Cr.	NA	NA	NA
EBITDA Margin	(%)	NA	NA	NA
PAT Margin	(%)	NA	NA	NA
ROCE	(%)	NA	NA	NA
Total Debt/Tangible Net Worth	Times	NA	NA	NA
PBDIT/Interest	Times	NA	NA	NA
Total Debt/PBDIT	Times	NA	NA	NA
Gross Current Assets (Days)	Days	NA	NA	NA

Note: Not applicable as the operations are expected to commence by May 2019.

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
- 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)

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

Proposed Fund Based Facility	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE B / Stable

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About Acuité Ratings & Research:
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