

July 16, 2014

Facilities	Amount (Rs. Crore)	Ratings
External Commercial Borrowings	21.25	SMERA BBB-/Stable (Assigned)
Term Loan	8.51	SMERA BBB-/Stable (Assigned)
Cash Credit	15.00	SMERA BBB-/Stable (Assigned)
Bank Guarantee	0.87	SMERA A3 (Assigned)

SMERA has assigned a long-term rating of **'SMERA BBB-'** (read as **SMERA triple B minus**) and a short-term rating of **'SMERA A3'** (read as **SMERA A three**) to the Rs.45.63 crore bank facilities of Canpac Trends Private Limited (Canpac). The outlook on the long-term rating is **'Stable'**. The ratings are supported by the company's experienced management and fully integrated manufacturing operations. The ratings are also supported by the company's strong revenue growth, reputed clientele, comfortable liquidity position and healthy profitability. However, the ratings are constrained by the company's limited track record of operations. The ratings are also constrained by the debt-funded capex undertaken by the company.

Canpac is an Ahmedabad-based company engaged in manufacturing of printed folded boxes and micro flute boxes. Canpac benefits from its experienced management. Mr. Nilesh Todi, director of Canpac, has around two decades of experience in the paper and packaging industry. The company's fully integrated manufacturing process covers pre-press operations and post-press operations. Canpac's revenues increased from Rs.48.61 crore in FY2012-13 (refers to financial year, April 01 to March 31) to Rs.65.20 crore (provisional) in FY2013-14, a growth of 34 per cent. The company caters to several reputed customers across various industries such as textile, consumer goods and pharmaceuticals. Canpac's comfortable liquidity position is reflected in moderate bank limit utilisation of ~89.30 per cent during November 2013 to May 2014. Moreover, the company's net cash accruals have increased from Rs.5.76 crore in FY2012-13 to Rs.8.88 crore (provisional) in FY2013-14. Canpac's healthy profitability is evidenced by operating profit margin of 18.54 per cent (provisional) and net profit margin of 5.00 per cent (provisional) in FY2013-14.

Canpac has limited track record of operations as the company commenced commercial production in October 2011. Canpac has undertaken debt-funded capex of Rs.11.34 crore towards debottlenecking operations at the exciting facility and addition of new capacity. The aforementioned capex is funded through bank borrowing of Rs.8.51 crore and equity capital of Rs.2.83 crore. The project is likely to be commissioned in August 2014. Timely repayment of long-term debt and sustained growth in revenues post commissioning of the aforementioned project are the key rating sensitivity factors.

Outlook: Stable

SMERA believes Canpac will maintain a stable business risk profile over the medium term. The outlook may be revised to 'Positive' in case the company registers sustained growth in revenues while maintaining healthy profitability and achieving strong financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues and profitability, or in case of deterioration in the company's financial risk profile.

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About the company

Canpac (formerly known as Cerium Marketing Private Limited) is an Ahmedabad-based company engaged in manufacturing of printed folded boxes and micro flute boxes. Canpac was incorporated as Venture Insurance Service Private Limited in 2004. The company was acquired by the current management in 2009. Canpac has a manufacturing unit in Bavla, Ahmedabad. The company commenced commercial production in October 2011. The overall operations of Canpac are managed by Mr. Nilesh N. Todi and Mrs. Preeti N. Todi.

For FY2013-14 (as per provisional financial statements) Canpac reported profit after tax (PAT) of Rs.3.57 crore on net sales of Rs.65.20 crore, as compared with PAT of Rs.2.31 crore on net sales of Rs.48.61 crore in FY2012-13. The company's net worth stood at Rs.21.79 crore (provisional) as on March 31, 2014, as compared to Rs.13.17 crore a year earlier.

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