

### Canpac Trends Private Limited: Reaffirmed

Facilities	Amount (Rs. Crore)	Ratings/Outlook
External Commercial Borrowings (ECB)	4.96 (reduced from Rs. 9.80 crore)	SMERA BBB-/Positive (Reaffirmed)
Term Loan	7.45 (revised from Rs. 8.16 crore)	SMERA BBB-/Positive (Reaffirmed)
Cash Credit	21.00*	SMERA BBB-/Positive (Reaffirmed)
Bank Guarantee	1.28	SMERA A3 (Reaffirmed)

\* Includes sublimit for EPC foreign bill discounting to the extent of Rs.1.50 crore, LC Bill discounting to the extent of Rs.1.50 crore and Letter of Credit to the extent of Rs. 3.00 crore

SMERA has reaffirmed the long term rating of '**SMERA BBB-**' (**read as SMERA triple B minus**) and short term rating of '**SMERA A3**' (**read as SMERA A three**) on the Rs.34.69 (reduced from Rs. 40.24 crore) bank facilities of Canpac Trends Private Limited (Canpac). The outlook is '**Positive**'.

The ratings continue to draw comfort from the company's experienced management and fully integrated manufacturing operations. The ratings are also supported by the strong revenue growth, diversified customer portfolio and moderate financial risk profile. However, the ratings are constrained by the limited track record of operations in the intensely competitive and fragmented packaging industry, decline in margins and the working capital intensive business.

#### Update

In FY2015-16, Canpac reported operating income of Rs.118.88 crore against Rs.77.12 crore in the previous year registering a healthy ~54 per cent revenue growth due to increase in the proportion of sales from trading operations. However, the operating margin declined to 16.69 per cent in FY2015-16 vis-à-vis 19.67 per cent in the previous year mainly on account of increase in sale of low traded goods of low margin. The net profit margin also declined to 5.75 per cent in FY2015-16 vis-à-vis 6.63 per cent in the previous year due to higher interest and depreciation.

Canpac's net worth stood at Rs.35.24 crore and adjusted gearing stood at 1.63 times as on March 31, 2016. The adjusted gearing takes into account the unsecured loan of Rs.4.50 crore from promoters as part of equity as the same is subordinated to bank debt. The interest coverage ratio stood at 3.44 times and Debt service coverage ratio (DSCR) at 1.25 times for FY2015-16. The company's operations are working capital intensive as visible in its gross current asset days of 136 for FY2015-16. Further, the average cash credit limit utilisation stood at 92 per cent for the last six months ended on July, 2016.

#### Rating Sensitivity Factors

- Scaling up of operations while improving profit margins
- Effective working capital management
- Debt funded capex plan

#### Criteria applied to arrive at the ratings:

- Manufacturing Entities

### Outlook: Positive

SMERA believes that Canpac will maintain a Positive outlook which is likely to improve over the medium term driven by revenue growth and capacity augmentation. The company is also expected to maintain its financial risk profile over the medium term. The ratings may be upgraded if the company achieves expected revenues and profitability. Conversely, the outlook may undergo a change in case of lower-than-expected revenues and profitability margins, or higher than expected debt funded working capital requirements.

### About the Company

Canpac (the erstwhile Cerium Marketing Private Limited) is an Ahmedabad-based company engaged in the manufacture of printed folded and micro flute cartons used for packaging. The company was incorporated as Venture Insurance Service Private Limited in 2004 and subsequently acquired by the current management in 2009. Canpac commenced commercial production in October, 2011. The company has a reputed and diversified customer portfolio. The overall operations are managed by Mr. Nilesh N. Todi and Mrs. Preeti N. Todi.

In FY2015-16, Canpac reported profit after tax (PAT) of Rs.6.84 crore on operating income of Rs.118.88 crore, as compared to PAT of Rs.5.11 crore on operating income of Rs.77.12 crore in the previous year.

### Rating History

Date	Name of the Instruments	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
05 November, 2015	External Commercial Borrowings (ECB)	9.80	SMERA BBB- (Reaffirmed)	-	Positive (Outlook Revised)
	Term Loan	8.16	SMERA BBB- (Reaffirmed)	-	Positive (Outlook Revised)
	Cash Credit	21.00	SMERA BBB- (Reaffirmed)	-	Positive (Outlook Revised)
	Bank Guarantee	1.28	-	SMERA A3 (Reaffirmed)	-
16 July, 2014	External Commercial Borrowings (ECB)	21.25	SMERA BBB- (Assigned)	-	Stable
	Term Loan	8.51	SMERA BBB- (Assigned)	-	Stable
	Cash Credit	15.00	SMERA BBB- (Assigned)	-	Stable
	Bank Guarantee	0.87	-	SMERA A3 (Assigned)	-

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