

July 18, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	3.00	SMERA B-/Stable (Assigned)
Letter of Credit	6.75	SMERA A4 (Assigned)

SMERA has assigned ratings of '**SMERA B-**' (read as **SMERA single B minus**) and '**SMERA A4**' (read as **SMERA A four**) to the abovementioned bank facilities of Cel Packaging Private Limited (CPPL). The outlook is '**Stable**'. The ratings are constrained by the company's weak financial profile marked by operating losses and low return on capital employed. The ratings are constrained by the company's exposure to intense competition in the packaging industry. However; the ratings are supported by the company's experienced management and moderate revenue growth.

CPPL, incorporated in 2007, is an Ahmedabad-based company engaged in manufacturing of wooden pallets and corrugated boxes. CPPL operates in an intensely competitive segment of the packaging industry. The company's weak financial profile is marked by operating loss (OPBT) of Rs.0.69 crore in FY2012-13 (refers to financial year, April 01 to March 31) on account of high depreciation cost. Moreover, the company's net profit of Rs.0.03 crore in FY2012-13 is largely supported by non-operating income of Rs. 0.62 crore arising from sale of assets. CPPL's return on capital employed (RoCE) is low at 1.66 per cent in FY2012-13.

CPPL benefits from its experienced management. Mr. Rajiv Mehta, ED & CEO of CPPL, has around two decades of experience in the packaging industry.

Outlook: Stable

SMERA believes CPPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers sustained improvement in profitability and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the company registers sustained decline in revenues and profitability amidst intensifying competition in its area of operation.

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SMERA RATINGS LIMITED

Cel Packaging Private Limited (CPPL)

Rating Rationale

About the company

CPPL, established in 2007, is an Ahmedabad-based company promoted by Mr. Sunil Handa and Mrs. Divya Deepti Handa. CPPL is engaged in manufacturing of wooden pallets and corrugated boxes. The overall operations of the company are professionally managed by Mr. Rajiv Mehta.

For FY2012–13, CPPL reported profit after tax (PAT) of Rs.0.03 crore on operating income of Rs.46.89 crore, as compared with PAT of Rs.0.06 crore on operating income of Rs.45.57 crore in FY2011–12. Further, the company reported net loss of Rs.0.35 crore (provisional) on total income of Rs.49.59 crore (provisional) in FY2013–14. CPPL's net worth stood at Rs.11.66 crore as on March 31, 2013, as compared with Rs.11.36 crore a year earlier.

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