Orient Press Limited

March 09, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	27.77 (Enhanced from 26.27)	CARE BB+; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	14.50	CARE BB+; Stable / CARE A4+	Reaffirmed
Short Term Bank Facilities	19.50 (Reduced from 21.00)	CARE A4+	Reaffirmed
Fixed Deposit	8.00	CARE BB+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities and the fixed deposits of Orient Press Ltd (OPL) takes into account the experience of its promoters, long established relationship with its clients. However, the rating strengths are partially offset by its moderate scale of operations, lower & volatile profit margins, higher total debt to gross cash accrual ratio, higher working capital intensity, sensitivity to any adverse government regulations for flexible packaging (plastic) industry, and high competition in the industry. The company's ability to increase its scale of operations besides improving its profit margins and efficient working capital management would be the key rating sensitivities.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors – Factors that could lead to positive rating action/upgrade:

- Improvement in scale of operations with the operating performance and profitability returning to pre covid level
- Improvement in operating cycle below 90 days on sustained basis

Negative factors – Factors that could lead to negative rating action/downgrade:

- Further decline in scale of operations with continuing cash losses
- Overall gearing deteriorating beyond 1.00x on a sustained basis
- Further deterioration in operating cycle beyond current level

Analytical approach: Standalone

Outlook: Stable, CARE edge believes that Orient Press Limited continue to benefit from established position in printing and packaging segment and revival of the printing business post covid

Key weaknesses

Moderate scale of operations

OPL operates in 3 segments, namely printing, flexible packaging and paper boards, with flexible packaging being the largest contributor to revenue. Out of total revenue, printing segment contributed around 34% revenue during FY22 and 66% came from packaging segment. In an intensely competitive and largely unorganized market, OPL's scale of operations continues to remain moderate. Moderate size of OPL may restrict it in making timely revision of product prices as these companies are generally price takers in the market, and thus any revision in price can be done only after the market leaders revise their product prices.

Deterioration in PBILDT margins in FY22 which continued in 9MFY23 as well

Profitability margin has been witnessing decline in both the segment, however, losses at PBIT level in Packaging segment has been impacting overall margins of the company. Operating profitability in the flexible packaging division was impacted due to increase in raw material prices which could not be passed to the customers and underutilization of capacities in the paper cardboard division led to continued losses in this segment.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

PBIT (Rs. In crore)	FY19	FY20	FY21	FY22	9MFY23
Printing	11.95	7.00	4.87	8.99	6.07
Packaging	-3.04	-1.74	-2.76	-9.80	-5.49

Despite comfortable gearing levels, debt coverage indicators remain strained
Overall gearing level stood at 0.82 times as on March 31, 2022 (0.74 times as on March 31, 2021). Despite this, debt coverage indicators continue to remain strained on account of decline in operating profits and cash accruals. Comfort can be derived from the fact that the promoters have supported the entity by way of infusing funds in form of loans.

Working capital intensive in nature
The company's operations are working capital intensive and it remained stretched at 161 days in FY22 (PY: 174 days). The average fund-based utilization stood at around 88% for the trailing twelve months ending October 2022.

Susceptibility of the profitability margins to raw material volatility
OPL's major raw material, polymers granules are derivatives of crude oil which is volatile in nature. Moreover, owing to the presence of large numbers of players in the flexible packaging industry, passing on raw material price hike becomes difficult, resulting into lag in the price revisions when the input prices are on rising trend. Since raw materials constitute the major proportion of OPL's cost structure, limited ability of OPL to pass on price hikes may impact operating profit margins. On the other hand, volatility on account of foreign exchange is largely mitigated as OPL is net exporter of goods. The company enters into forward contracts to mitigate risks associated with adverse foreign currency movement

Exposure to regulatory risk in flexible packaging division
Complexities involved in recycling of Multilayer plastics used in packing the processed foods as well as other FMCG products make them one of the major sources of soil and water pollution. Increasing level of soil and water pollution has led to growing environmental concerns, especially in countries like India, which is one of the fastest growing markets for plastic packaging. This exposes the companies in flexible packaging industry to high regulatory risk. Nevertheless, growing population and increasing demand of processed foods augurs well for the players in the packaging industry. Moreover, high durability, flexibility, and cost effectiveness of flexible packaging make them as a preferred choice for various user industries ranging from Food and beverages, healthcare, cosmetics, transportation etc. Hence, owing to growing demand from user industries the flexible packaging growth is expected to remain healthy over a medium term. However, leaders in the industry will be better placed to adopt changing environment regulations with their innovative biodegradable solutions and recyclable products.

Key Strength
Extensive experience of the promoters in the industry
OPL is managed by its founding promoters Mr. Ramvilas Maheshwari (Chairman and Managing Director) and Rajaram Maheshwari (Executive director) each having around four decades in the industry. The directors are assisted by a team of experienced professionals.

Liquidity: Stretched
OPL has stretched liquidity profile as indicated by high working capital utilization in the 12 months ending October 2022 with average utilization being 88%. Higher utilization is on account of stretched operating cycle, in particular on account of inventory build-up at the manufacturing locations. Low cash generation coupled with very high utilization of working capital limits leaves very little headroom for future debt repayment obligations. The promoters are supporting the company operations by infusing unsecured loan and provides liquidity backup.

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria
Policy on default recognition
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch

[Policy on default recognition](#)
[Financial Ratios – Non financial Sector](#)
[Short Term Instruments](#)
[Manufacturing Companies](#)

About the company and industry

Industry Classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Media, Entertainment & Publication	Printing & Publication	Printing & Publication

Incorporated on January 02, 1987 as a private limited company, Orient Press Limited (OPL) is promoted by the Maheshwari family - Mr. R. V. Maheshwari and Mr. R. R. Maheshwari. The company is engaged in the segments of packaging and printing. Under packaging, the company manufactures flexible packaging material of multi-layer film laminates and paper board cartons; while under its Printing segment, it is involved in several activities such as printing of capital market stationeries like IPO offer documents, RHPs etc.; commercial printing such as text books, annual reports, diaries etc., and security printing like MICR cheques, dividend warrants, etc. OPL has manufacturing facilities at Tarapur in Maharashtra, Silvassa in Union Territory of Dadra & Nagar Haveli, and Noida in Uttar Pradesh.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	9MFY23 (UA)
Total operating income	141.37	159.67	124.39
PBILDT	5.34	1.41	3.05
PAT	-3.47	-3.60	-3.94
Overall gearing (times)	0.74	0.82	NA
Interest coverage (times)	0.82	0.22	0.58

A: Audited; UA: Unaudited; NA: Not available; Note: 'the above results are latest financial results available

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fixed Deposit		-	-	Two to Three years	8.00	CARE BB+; Stable
Fund-based - LT-Cash Credit		-	-	-	21.50	CARE BB+; Stable
Fund-based - LT-Term Loan		-	-	31-07-2023	6.27	CARE BB+; Stable
Fund-based - LT/ ST-CC/Packing Credit		-	-	-	14.50	CARE BB+; Stable / CARE A4+
Non-fund-based - ST-BG/LC		-	-	-	19.50	CARE A4+

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	6.27	CARE BB+; Stable	1)CARE BB+; Stable (22-Nov-22)	1)CARE BBB-; Negative (22-Feb-22)	1)CARE BBB-; Stable (01-Mar-21) 2)CARE BBB-; Stable (23-Feb-21)	1)CARE BBB; Negative (20-Mar-20)
2	Fund-based - LT-Cash Credit	LT	21.50	CARE BB+; Stable	1)CARE BB+; Stable (22-Nov-22)	1)CARE BBB-; Negative (22-Feb-22)	1)CARE BBB-; Stable (01-Mar-21) 2)CARE BBB-; Stable (23-Feb-21)	1)CARE BBB; Negative (20-Mar-20)

3	Fund-based - LT/ ST-CC/Packing Credit	LT/ST*	14.50	CARE BB+; Stable / CARE A4+	1)CARE BB+; Stable / CARE A4+ (22-Nov-22)	1)CARE BBB-; Negative / CARE A3 (22-Feb-22)	1)CARE BBB-; Stable / CARE A3 (01-Mar-21) 2)CARE BBB-; Stable / CARE A3 (23-Feb-21)	1)CARE BBB; Negative / CARE A3 (20-Mar-20)
4	Non-fund-based - ST-BG/LC	ST	19.50	CARE A4+	1)CARE A4+ (22-Nov-22)	1)CARE A3 (22-Feb-22)	1)CARE A3 (01-Mar-21) 2)CARE A3 (23-Feb-21)	1)CARE A3 (20-Mar-20)
5	Fixed Deposit	LT	8.00	CARE BB+; Stable	1)CARE BB+; Stable (22-Nov-22) 2)CARE BBB-; Negative (22-Jun-22)	1)CARE BBB- (FD); Negative (22-Feb-22)	1)CARE BBB- (FD); Stable (01-Mar-21) 2)CARE BBB- (FD); Stable (23-Feb-21)	1)CARE BBB (FD); Negative (20-Mar-20)

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fixed Deposit	Simple
2	Fund-based - LT-Cash Credit	Simple
3	Fund-based - LT-Term Loan	Simple
4	Fund-based - LT/ ST-CC/Packing Credit	Simple
5	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media Contact	Analytical Contacts
Name: Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Name: Saikat Roy Senior Director **CARE Ratings Limited** Phone: +91-22-67543404 E-mail: saikat.roy@careedge.in	**Name:** Sudarshan Shreenivas Director **CARE Ratings Limited** Phone: 022- 6754 3566 E-mail: sudarshan.shreenivas@careedge.in Name: Arunava Paul Associate Director **CARE Ratings Limited** Phone: 022-6754 3667 E-mail: arunava.paul@careedge.in Name: Pooja Tripathi Lead Analyst **CARE Ratings Limited** E-mail: pooja.tripathi@careedge.in

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