Orient Press Limited

November 22, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	26.27	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Revised from CARE BBB-; Negative (Triple B Minus; Outlook: Negative)
Long Term / Short Term Bank Facilities	14.50	CARE BB+; Stable / CARE A4+ (Double B Plus ; Outlook: Stable/ A Four Plus)	Revised from CARE BBB-; Negative / CARE A3 (Triple B Minus ; Outlook: Negative / A Three)
Short Term Bank Facilities	21.00	CARE A4+ (A Four Plus)	Revised from CARE A3 (A Three)
Total Bank Facilities	**61.77 (₹ Sixty-One Crore and Seventy-Seven Lakhs Only)**		
Fixed Deposit	8.00	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Revised from CARE BBB-; Negative (Triple B Minus; Outlook: Negative)
Total Medium Term Instruments	**8.00 (₹ Eight Crore Only)**		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The revision in the ratings assigned to the bank facilities & instrument of Orient Press Limited (OPL) is on account of subdued operational performance of the company in the past three years on account of the pandemic. OPL has reported continuous cash losses since FY21 and has incurred losses in H1FY23 as well.

The printing division was impacted since schools were shut and printing requirement of IPO forms, annual reports, schoolbooks, notebooks declined. In the flexible packaging division, the company was not able to completely pass on the increase in input prices. The ratings factor in continuing decline in revenue and profitability of the company since FY21 as well as in H1FY23.

Further the promoter and related parties has infused some funds as unsecured loan during FY22 to support the operations. The ratings, however, continue to derive strength from extensive experience of the promoters in printing industry and established client base. The rating continues to be constrained by moderate scale of operations, exposure to volatility in input prices and exposure to regulatory risk in flexible packaging division. The outlook revision is due to drop in cash losses in H1FY23 and liquidity support received from promoters.

Rating sensitivities

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

Outlook: Stable

Detailed description of the key rating drivers

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

Key rating weaknesses

Declining scale of operations in FY22 and in H1FY23

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 30% revenue during FY21 and 70% 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 H1FY23 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**.**

PBIT (Rs. In crore)	FY19	FY20	FY21	FY22	H1FY23
Printing	11.95	7.00	4.87	8.99	3.47
Packaging	-3.04	-1.74	-2.76	-9.80	-4.28

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 Rating Strengths

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.

Analytical approach: Standalone

Applicable criteria

Policy on default recognition
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Manufacturing Companies

About the company

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)	H1FY23 (UA)
Total operating income	141.37	159.67	79.81
PBILDT	5.34	1.41	0.81
PAT	-3.47	-3.60	-3.31
Overall gearing (times)	0.74	0.82	NA
Interest coverage (times)	0.82	0.22	NA

A: Audited; UA: Unaudited; NA: Not 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 covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

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		-	-	-	8.00	CARE BB+; Stable
Fund-based - LT-Cash Credit		-	-	-	21.50	CARE BB+; Stable
Fund-based - LT-Term Loan		-	-	31-07-2023	4.77	CARE BB+; Stable
Fund-based - LT/ ST-CC/Packing Credit		-	-	-	14.50	CARE BB+; Stable / CARE A4+
Non-fund-based - ST-BG/LC		-	-	-	21.00	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	4.77	CARE BB+; Stable	-	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 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 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	21.00	CARE A4+	-	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 BBB-; Negative (22-Jun-22)	1)CARE BBB- (FD); Negative (22-Feb-22)	1)CARE BBB- (FD); Stable (01-Mar-21)	1)CARE BBB (FD); Negative (20-Mar-20)

							2)CARE BBB- (FD); Stable (23-Feb-21)	

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: NA

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of 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: Bank lender details for this company

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

Note on 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.

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