# Orient Press Limited

March 21, 2018

**Ratings**

| Facilities | Amount (Rs. crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Long term Bank Facilities | 40.41 | **CARE BBB; Stable (Triple B; Outlook: Stable)** | **Reaffirmed** |
| Long term/Short term Bank Facilities | 14.50 | **CARE BBB; Stable/CARE A3+ (Triple B; Outlook: Stable/A Three Plus)** | **Reaffirmed** |
| Short term Bank Facilities | 21.00 | **CARE A3+ (A Three Plus)** | **Reaffirmed** |
| Medium-term Fixed Deposits | 8.00 | **CARE BBB (FD); Stable [Triple B (Fixed Deposit); Outlook:Stable]** | **Reaffirmed** |
| **Total** | **83.91 (Eighty Three Crore and Ninety One Lakhs Only)** | | |

*Details of instruments/facilities in Annexure-1*

**Detailed Rationale & Key Rating Drivers**

The reaffirmation of the ratings assigned to the bank facilities and the fixed deposits of Orient Press Ltd (OPL) continue to derive strength from the long track record of the company along with extensive experience of its promoters, having well-established relationship with its clients, steady operational performance along with comfortable capital structure and debt protection metrics

However, the rating strengths are tempered by OPL's modest scale and working capital intensive nature of operations leading to higher utilisation of working capital sanctioned limits, profit margins susceptible to volatile raw material prices and forex fluctuations, sensitivity to any adverse government regulations along with high competition in the flexible packaging (plastic) industry.

The company's ability to increase its scale of operations, improve its profit margins on the back of higher contribution expected from the printing segment as a result of buoyancy in  the primary market along with stabilization of its flexible packaging unit at Noida while effectively managing its working capital cycle would be the key rating sensitivities.

**Detailed description of the key rating drivers**

**Key Rating Strengths**

**Long track record of the company along with experienced promoters**

Incorporated in 1987, the company has an established track record of over three decades in the field of printing and packaging. Besides, the promoters of the company have extensive experience in various aspects of printing and packaging industry. Under the present management and able guidance of Mr. Ramvilas Maheshwari  (Chairman and Managing Director), having rich experience of more than three decades, the company has been able to move from a primary printing company to a packaging and printing company. They are further supported by qualified management having substantial experience in their respective fields.

[1]*Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.*

**Well established relationships with reputed clientele**

Being in business for more than three decades, OPL has created a long-standing relationship with many of its reputed companies helping it to procure repeat orders from these clients ensuring steady demand. It has also added newer clients in the packaging division. In printing sector, OPL caters to several banks, capital market offerings, mutual funds, railways etc. The company is one of the leading players in the capital market offering print segment. OPL has tie-ups with state education boards, schools and universities for their stationery printing requirements. The company is also engaged in printing annual reports, office stationery, diaries etc. for many corporates.

**Steady operational performance in FY17 and 9MFY18**

The company's income from operations remained fairly stable at Rs. 190.75 crore in FY17 as compared to Rs.203.65 crore in FY16. The marginal drop in revenue was from the packaging as well as priniting division. However the company has reported y-o-y growth of 14% for the period of 9MFY18 due to increase in the revenue from its printing division by 38.31% while the revenue of packaging division has remained stable. The PBILDT margins and the PAT margins improved marginally to 8.51% and 1.46% in FY17 from 7.70% and 1.17% in FY16 respectively.

OPL's is also continuously undertaking efforts to make its presence felt in international market and in FY17 its revenue from exports which accounted for about 13% of total operating income. Packaging division contributes the most to the exports. The company has also received the "Export House" status from the Govt. of India for its consistent export performance. However, going forward, growth in revenues as envisaged from the printing as well as from the expanded packaging facility is critical from credit perspective.

**Comfortable capital structure and debt coverage indicators**

OPL's overall gearing has remained comfortable at 1.05x as on March 31, 2017 as compared to 1.01x as on March 31, 2016 on account of increase in term loan taken towards funding its expansion plans. The gearing levels improved and remained comfortable in 9MFY18 owing to repayment of unsecured loans and equity infusion. Further, debt coverage indicators like interest coverage have also remained comfortable at 2.86x for FY17 while Total Debt to GCA remained high at 8.41x as on March 31, 2017. In 9MFY18, interest coverage ratio and Total Debt to GCA remained comfortable.

**Key Rating Weaknesses**

**Modest scale of operations**

With operating income of Rs. 190.75 crore during FY17 and tangible net worth of Rs.66.75 crore as on March 31, 2017, OPL is a relatively modest sized entity.

**Working capital intensive business**

Being in a highly competitive packaging industry, OPL's working capital requirements are substantial in order to support extension of longer credit period to its customers and inventory management. OPL's operating cycle remained higher at 112 days in FY17 as against 106 days in FY16. The average fund based working capital utilisation for a period of 12 months ended Dec'17 was high at 87.33%.

**Profit margins susceptible to raw material price volatility and forex fluctuations**

The principle raw materials required for flexible packaging is plastic granules which is crude derivative. The key raw material is price sensitive and highly volatile. Thus, OPL's profitability is susceptible to volatility in prices of raw materials. Further, the company's exports are around 13% of its revenues i.e. around Rs.20 crore while imports constitute around 11% of the total raw material consumption i.e. around Rs.13 crore. Hence, the company's profit is subject to foreign exchange risks to a minimal extent due to fluctuations in foreign currencies for its receivables for the export of Company's finished goods.

**Sensitivity of flexible packaging operations to the government regulations**

Given the environment hazards of plastics, the flexible packaging operation of OPL remains sensitive to any government regulations or actions that could negatively impact demand for its products. OPL is shifting its focus to increase exports in flexible packaging division and increase revenue share of paper board carton in order to protect itself from the risk. However, the company will continue to be prone to such regulations until satisfactory level of geographical as well as product diversification is attained.

**Analytical approach:** Standalone

**Applicable Criteria**

[Criteria on assigning Outlook to Credit Ratings]
[CARE's Policy on Default Recognition]
[Criteria for Short Term Instruments]
[Financial ratios – Non-Financial Sector]
[Rating Methodology-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 (1) printing of capital market stationery such as IPO offer documents, RHPs etc. (2) commercial printing such as text books, annual reports, diaries etc. and (3) security printing like MICR cheques, dividend warrants, etc. Presently, OPL has manufacturing facilities at Tarapur in Maharashtra and Silvassa in Union Territory of Dadra & Nagar Haveli. The company also has set up its flexible packaging facilities at Noida in Uttar Pradesh.

| Brief Financials (Rs. crore) | FY16 (A) | FY17 (A) |
|---|---|---|
| Total operating income | 203.65 | 190.75 |
| PBILDT | 15.68 | 16.24 |
| PAT | 2.38 | 2.78 |
| Overall gearing (times) | 1.01 | 1.05 |
| Interest coverage (times) | 2.64 | 2.86 |

*A: Audited*

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

***Note on complexity levels of the rated instrument:*** *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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**For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

**About CARE Ratings:**

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.



**Annexure-1: Details of Instruments/Facilities**

| Name of the Instrument | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. crore) | Rating assigned along with Rating Outlook |
|---|---|---|---|---|---|
| Fund-based - LT-Term Loan | - | - | October-2021 | 18.91 | CARE BBB; Stable |
| Fund-based - LT-Cash Credit | - | - | - | 21.50 | CARE BBB; Stable |
| Fund-based - LT/ ST-CC/Packing Credit | - | - | - | 14.50 | CARE BBB; Stable / CARE A3+ |
| Non-fund-based - ST-BG/LC | - | - | - | 21.00 | CARE A3+ |
| Fixed Deposit | - | - | - | 8.00 | CARE BBB (FD); Stable |

**Annexure-2: Rating History of last three years**

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating history | | | |
|---|---|---|---|---|---|---|---|---|
| | | Type | Amount Outstanding (Rs. crore) | Rating | Date(s) & Rating(s) assigned in 2017-2018 | Date(s) & Rating(s) assigned in 2016-2017 | Date(s) & Rating(s) assigned in 2015-2016 | Date(s) & Rating(s) assigned in 2014-2015 |
| 1. | Fund-based - LT-Term Loan | LT | 18.91 | CARE BBB; Stable | - | 1)CARE BBB; Stable (28-Feb-17) | 1)CARE BBB (13-Jan-16) | 1)CARE BBB (07-Oct-14) |
| 2. | Fund-based - LT-Cash Credit | LT | 21.50 | CARE BBB; Stable | - | 1)CARE BBB; Stable (28-Feb-17) | 1)CARE BBB (13-Jan-16) | 1)CARE BBB (07-Oct-14) |
| 3. | Fund-based - LT/ ST-CC/Packing Credit | LT/ST | 14.50 | CARE BBB; Stable / CARE A3+ | - | 1)CARE BBB; Stable / CARE A3+ (28-Feb-17) | 1)CARE BBB / CARE A3+ (13-Jan-16) | 1)CARE BBB / CARE A3+ (07-Oct-14) |
| 4. | Non-fund-based - ST-BG/LC | ST | 21.00 | CARE A3+ | - | 1)CARE A3+ (28-Feb-17) | 1)CARE A3+ (13-Jan-16) | 1)CARE A3+ (07-Oct-14) |
| 5. | Fixed Deposit | LT | 8.00 | CARE BBB (FD); Stable | - | 1)CARE BBB (FD); Stable (28-Feb-17) | 1)CARE BBB (FD) (13-Jan-16) | 1)CARE BBB (FD) (27-Oct-14) |

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