

Orient Press Ltd

February 28, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Remarks
Long term Bank Facilities	37.15 (enhanced from 22.71)	CARE BBB; Stable (Triple B; Outlook: Stable)	Reaffirmed
Long term/Short term Bank Facilities	10.00	CARE BBB; Stable/A3+ (Triple B; Outlook: Stable/A Three Plus)	Reaffirmed
Short term Bank Facilities	18.50	CARE A3+ (A Three Plus)	Reaffirmed
Medium-term Fixed Deposits	8.00	CARE BBB (FD); Stable [Triple B (Fixed Deposit); Outlook: Stable]	Reaffirmed
Total	73.65 (Seventy Three Crore and Sixty Five 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) takes into account the experience of its promoters, long established relationship with its clients, improvement in its Printing division while having a stable demand for its Flexible Packaging products and comfortable debt protection metrics.

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.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced Promoters: The promoters have an experience of more than three decades in managing the printing and packaging business who are further supported by qualified management having substantial experience in their respective fields.

Long Standing Relationship with Reputed Clients: Over the years, OPL has created a long-standing relationship with many of its reputed companies. It has started tie-ups with state education boards, schools and universities during FY16.

Stable Operational Performance: The revenue from operations for FY16 has increased by 3.55% yoy to Rs.203.65 cr. on account of improvement in Initial Public Offer (IPO) related sales. The PBILDT and PAT margins have remained stable at 7.70% and 1.17% respectively. In 9MFY17, profit margin for printing has gone up to 11.16% and for packaging it has come down to 3.15%.

Comfortable Capital Structure: OPL's overall gearing has improved to 0.77x as on March 31, 2016 from 0.97x as on March 31, 2015 on account of scheduled repayments of long term debts. Its Total Debt to Gross Cash Accruals(GCA) is still high at 6.11x as on March 31, 2016. Further interest coverage has also improved to 2.64x for FY16 from 2.37x for FY15 on account of marginal improvement in its profitability.

Key Rating Weaknesses

Working capital intensive nature of operations: OPL's operating cycle remained high at 106 days in FY16. Some of the debtors are pending for a period exceeding 6 months because most of these dues are pertaining to revenues from Government /Semi-Government entities. The average working capital utilization for a period of 12 months ended Nov'16 was 80%.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

Sensitive to Government Regulations: Given the environmental hazards of plastics, the flexible packaging operation of OPL remains sensitive to any government regulations or actions that could adversely impact demand prospects for its products.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[CARE's methodology for Short Term Ratings](#)

[CARE's methodology for manufacturing companies](#)

[Financial ratios – Non-Financial Sector](#)

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 business 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. As on December 31, 2016, OPL has manufacturing facilities at Tarapur in Maharashtra and Silvassa in Union Territory of Dadra & Nagar Haveli. The company is further expanding its flexible packaging facilities at Noida in Uttar Pradesh which will further increase the capacity of Flexible Packaging Division from 7,200 MTPA to 7,800 MTPA.

During FY16 (refers to the period April 01, to March 31,) OPL achieved total operating income of Rs.203.65 cr. and Profit after Tax (PAT) of Rs.2.38 cr. as against Rs.196.90 cr. of total operating income and Rs.1.92 cr. of PAT during FY15. Further, for 9MFY17, total operating income was Rs.143.29 cr and OPL achieved PAT of Rs.2.01 cr.

Status of non-cooperation with previous CRA: None

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.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank

facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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	-	-	Sep-21	17.15	CARE BBB; Stable
Fund-based - LT-Cash Credit	-	-	-	20.00	CARE BBB; Stable
Fund-based - LT/ ST-CC/Packing Credit	-	-	-	10.00	CARE BBB; Stable / CARE A3+
Non-fund-based - ST-BG/LC/LER	-	-	-	18.50	CARE A3+
Medium Term Fixed Deposit	Dec-14 – Dec-16	11-12%	Jan-17 – Dec-19	6.42	CARE BBB (FD); Stable
Medium Term Fixed Deposit – Proposed	-	-	-	1.58	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 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund-based - LT-Term Loan	LT	17.15	CARE BBB; Stable	-	1)CARE BBB (13-Jan-16)	1)CARE BBB (07-Oct-14)	1)CARE BBB (14-Nov-13)
2.	Fund-based - LT-Cash Credit	LT	20.00	CARE BBB; Stable	-	1)CARE BBB (13-Jan-16)	1)CARE BBB (07-Oct-14)	1)CARE BBB (14-Nov-13)
3.	Fund-based - LT/ ST-CC/Packing Credit	LT/ST	10.00	CARE BBB; Stable / CARE A3+	-	1)CARE BBB / CARE A3+ (13-Jan-16)	1)CARE BBB / CARE A3+ (07-Oct-14)	1)CARE BBB / CARE A3+ (14-Nov-13)
4.	Non-fund-based - ST-BG/LC	ST	18.50	CARE A3+	-	1)CARE A3+ (13-Jan-16)	1)CARE A3+ (07-Oct-14)	1)CARE A3+ (14-Nov-13)
5.	Fixed Deposit	LT	8.00	CARE BBB (FD); Stable	-	1)CARE BBB (FD) (13-Jan-16)	1)CARE BBB (FD) (27-Oct-14)	-

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