Rajshree Polypack Limited
April 3, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long term Bank Facilities	20.59	**CARE BBB+;Stable (Triple B Plus; outlook: Stable)**	Reaffirmed
Short term Bank Facilities	3.90	**CARE A3+ (A Three Plus)**	Reaffirmed
Total Facilities	**24.49 (Rs. Twenty Four Crore and Forty Nine Lakh Only)**		

Details of instruments/facilities in Annexure I

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Rajshree Polypack Limited (RPL), continue to derive strength from healthy profit margins, comfortable capital structure and debt coverage indicators along with funds raised through IPO and private equity during FY19 for the capacity expansion project.

The ratings also continue to derive strength from the significant experience of the promoters and management in the industry, operating synergies with the Wifag Polytype group and established market position of RPL marked by long association with reputed clientele.

The ratings continue to be constrained by relatively modest scale of operations, susceptibility of profit margins to volatile raw material prices and operations in a highly fragmented and competitive packaging industry.

RPL's ability to increase the scale of operations and maintain profitability amidst the growing competition and manage its working capital requirements with efficient capacity utilization remain the key rating sensitivity.

Detailed description of the key rating drivers

Key Rating Strengths

Long track record of operation and experienced promoters

RPL is managed by Mr Ramswaroop Thard who has extensive experience in industry with rich domain knowledge. Furthermore, they are supported by experienced management team.

Established relations with reputed customers

RPL continues to receive repeat orders from reputed customer base namely Pepsico, Creamline Dairy Products Limited Hindustan Unilever Limited, Positive Packaging Industries Limited, Amul-Gujarat Co-operative Milk Marketing Federation, Neeyog Packaging and others as reflected from RPL's growing scale of operation and healthy order book position.

Healthy profit margin

With reduction in realization its margins have deteriorated with decline in PBILDT margin from 22.27% in FY17 to 18.73% in FY18 primarily on account of increase in raw material prices (constituted 70% of total cost in FY18 vis-à-vis 67% in FY17) and employee cost.

Furthermore, due to increase in depreciation cost (due to addition of machineries, molds, dies and equipment, vehicles, computer and furniture amounting to Rs.3.17 crore in FY18) and decline in PBILDT margin, net profit of company also declined to 8.46% in FY18 vis-a-vis 9.17% in FY17. Nevertheless despite the decline profitability continues to remain healthy.

Comfortable capital structure and debt coverage indicators

RPL's capital structure stood comfortable in past (FY16-17) on account of lower debt availed to fund its business operations. Further, the overall gearing has further improved and stood comfortable at 0.44x as on March 31, 2018 and vis-à-vis 0.64x as on March 31, 2017 on account of lower utilization of working capital limit at the year-end coupled with scheduled repayment of term debt along with accretion of profits to reserves. Furthermore, due to reduction in debt level on account of repayment of term loan, total debt /GCA has improved and stood comfortable at 1.43 x in FY18 (vis-a-vis 1.70x in FY17).

[1]*Complete definition of the ratings assigned is available at www.careratings.com and other CARE publications.*

Funds raised through IPO and private equity during FY19 for the capacity expansion project however project execution risk exists

RPL has raised total funds of Rs. 39.10 crore in FY19 through Initial public offerings (IPO) by issuing 29.60,000 shares of Rs. 120/- each amounting to Rs. 35.52 crore and through private Equity by issuing 2,97,393 shares of Rs. 120/- each of amounting to Rs. 3.58 crore with a view to expanding its manufacturing capacity to 15200 MT extrusion sheets per annum (from 10200 MT extrusion sheets per annum) at Factory Unit IV at Daman, India. Further, Company has entered into a Lease Deed with Gagan Packaging Private Limited for 16 years 9 months for constructing and setting up Factory Unit IV. Total cost of the project is Rs.36.24 crore which will be funded through funds raised from IPO. As on March 23, 2019; company has incurred expenses of Rs. 5.10 crore (14% of the total project cost) through proceedings from IPO. Construction work is started in January 2019 and unit IV is expected to be operational by January 2020. Thus going forward RPL's ability to complete the project in timely manner without any cost and time overrun shall be critical from credit perspective.

Key Rating Weaknesses

Relatively modest scale of operations

RPL's total income grew by 17.28% from Rs.96.31 crore in FY17 to Rs.112.95 crore in FY18 on account of increase in the volume of goods sold (sale of 7006 lakhs pcs in FY18 vis-à-vis 6190 lakhs pcs in FY17) due to increased demand. Further, during 10MFY19, it has already sold 5474 lakhs pcs with total income of Rs.100.16 crore. Moreover, apart from steady growth, RPL also has an order book position of Rs.12.36 crore as on March 06, 2019 to be executed by March 31, 2019.

Working capital intensive nature of operations

RPL's working capital cycle stood stable at 69 days in FY18 vis-à-vis 65 days in FY17 primarily due to collection and inventory period remaining at same level in FY18. Nevertheless RPL's business operations continue to be comfortable with average working capital utilization of 25% and average maximum utilization stood at 50% for past twelve months ended January 2019.

Comfortable liquidity position

RPL has comfortable liquidity position marked by marked by moderate current ratio of 1.68 times as on March 31, 2018.

Project execution risk

RPL has undertaken capacity expansion project wherein it is planning to set up Factory Unit IV (addition to Unit I, II and II) at Daman, India. This new manufacturing facility is proposed to focus on manufacturing of rigid plastic sheets and thermoformed packaging products. Further, Company has entered into a Lease Deed with Gagan Packaging Private Limited for 16 years 9 months for constructing and setting up Factory Unit IV. Total cost of the project is Rs.36.24 crore which will be funded through funds raised from IPO. As on March 23, 2019; company has incurred expenses of Rs. 5.10 crore (14% of the total project cost) through proceedings from IPO. Construction work is started in January 2019 and unit IV is expected to be operational by January 2020. Thus going forward RPL's ability to complete the project in timely manner without any cost and time overrun shall be critical from credit perspective.

Analytical Approach: Standalone

Applicable criteria

CARE's methodology for manufacturing companies
Financial ratios – Non-Financial Sector
Criteria for Short Term Instruments
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition

About the company

Established in 2003 as a partnership firm and later reconstituted into a private limited company in 2011, Rajshree Polypack Private Limited (RPPL) and then is converted into public limited company and named as Rajshree Polypack Limited (RPL) in August, 2017. The company is engaged in the manufacturing of thermoformed plastic containers for food products [viz. cups, plates, trays, containers, ice cream cups and others ranging from a capacity of 50 Millilitres (ml) to 1,000 Milliliters (ml)] under the brand name 'Natraj', 'Samrat', 'Satyam' for reputed FMCG and packaging clients namely Pepsico, Creamline Dairy Products Limited Hindustan Unilever Limited, Positive Packaging Industries Limited and others. RPL has its manufacturing facility located at Daman with installed capacity of 4320 MTPA in thermoforming division and 10200 MTPA capacities in extrusion division as on March 31, 2018. During FY19, RPL has raised total funds of Rs. 39.10 crore through Initial public offerings (IPO) and private equity to fund the capex undertaken.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	79.26	112.95
PBILDT	12.32	21.16
PAT	0.53	9.56
Overall gearing (times)	0.72	0.44
Interest coverage (times)	2.80	8.81

A: Audited

Status of non-cooperation with previous CRA : Not Applicable

Any other information: Not applicable

Rating History (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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About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over nearly 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	-	-	(April 2021)	9.12	CARE BBB+; Stable
Fund-based - LT-Cash Credit	-	-	-	6.50	CARE BBB+; Stable
Non-fund-based - ST-Letter of credit	-	-	-	2.00	CARE A3+
Non-fund-based - ST-Bank Guarantees	-	-	-	0.40	CARE A3+
Fund-based - ST-Bills discounting/ Bills purchasing	-	-	-	1.50	CARE A3+
Fund-based - LT-Term Loan	-	-	(February 2022)	1.76	CARE BBB+; Stable
Fund-based - LT-Term Loan	-	-	(January 2022)	1.21	CARE BBB+; Stable
Fund-based - LT-Cash Credit	-	-	-	2.00	CARE BBB+; 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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	9.12	CARE BBB+; Stable	1)CARE BBB+; Stable (19-Jul-18) 2)CARE BBB+ (Under Credit watch with Developing Implications) (04-Apr-18)	1)CARE BBB+; Stable (12-Apr-17)	-	1)CARE BBB (03-Dec-15)
2.	Fund-based - LT-Cash Credit	LT	6.50	CARE BBB+; Stable	1)CARE BBB+; Stable (19-Jul-18) 2)CARE BBB+ (Under Credit watch with Developing Implications) (04-Apr-18)	1)CARE BBB+; Stable (12-Apr-17)	-	1)CARE BBB (03-Dec-15)
3.	Non-fund-based - ST-Letter of credit	ST	2.00	CARE A3+	1)CARE A3+; Stable (19-Jul-18)	1)CARE A3+ (12-Apr-	-	1)CARE A3 (03-Dec-15)

					2)CARE A3+ (Under Credit watch with Developing Implications) (04-Apr-18)	17)		
4.	Non-fund-based - ST-Bank Guarantees	ST	0.40	CARE A3+	1)CARE A3+; Stable (19-Jul-18) 2)CARE A3+ (Under Credit watch with Developing Implications) (04-Apr-18)	1)CARE A3+ (12-Apr-17)	-	1)CARE A3 (03-Dec-15)
5.	Fund-based - ST-Bills discounting/ Bills purchasing	ST	1.50	CARE A3+	1)CARE A3+; Stable (19-Jul-18) 2)CARE A3+ (Under Credit watch with Developing Implications) (04-Apr-18)	1)CARE A3+ (12-Apr-17)	-	-
6.	Fund-based - LT-Term Loan	LT	1.76	CARE BBB+; Stable	-	-	-	-
7.	Fund-based - LT-Term Loan	LT	1.21	CARE BBB+; Stable	-	-	-	-
8.	Fund-based - LT-Cash Credit	LT	2.00	CARE BBB+; Stable	-	-	-	-

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