Rajshree Polypack Limited

July 19, 2018

Ratings

Facilities	**Amount (Rs. crore)**	**Rating[1]**	**Remarks**
Long term Bank Facilities	22.68	**CARE BBB+; Stable (Triple B Plus; Outlook Stable)**	**Removed from credit watch; Rating Reaffirmed to CARE BBB+; Stable (Triple B Plus; Outlook Stable)**
Short term Bank Facilities	5.40	**CARE A3+ (A Three Plus)**	**Removed from credit watch; Rating Reaffirmed to CARE A3+ (A Three Plus)**
Total Facilities	**28.08 (Rs. Twenty Eight Crore and Eight lakhs only)**		

Details of instruments/facilities in Annexure I

Detailed Rationale & Key Rating Drivers

Removal of the credit watch placed on the bank facilities of Rajshree Polypack Limited (RPL) is on account of no adverse impact of plastic ban levied in the state of Maharashtra on its products.

Reaffirmation of the rating of RPL is due to modest scale of operations along with healthy profit margins, comfortable capital structure and debt coverage indicators and moderately working capital intensive nature of operations.

Further the rating strengths take into account the marginal improvement in scale of operations owing to increased demand, marginal improvement in profit margin owing to improved realization, marginal improvement in the capital structure and debt coverage indicators. The ratings 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 considered at the time of last review

Key Rating Strengths

Long track record of operation and experienced promoters: RPL is closely held private limited company 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.

Marginal improvement in scale of operations: RPL's total income grew by 0.69% from Rs.95.65 crore in FY16 to Rs.96.31 crore in FY17 on account of increase in the volume of goods sold due to increased demand. Further, during 11MFY18, its has already sold 6183 lakhs pcs with total income of Rs.99.37 crore (around 93% of the projected total income for FY17). Moreover, apart from steady growth, RPL also has an order book position of Rs.27.20 crore as on March 27, 2018 to be executed by May, 2018.

Marginal improvement in capital structure and debt coverage indicators: RPL's capital structure stood improved and stood comfortable at 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 (due to improved profitability).Furthermore, due to reduction in debt level on account of repayment of term loan, total debt /GCA has

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

improved and stood comfortable at 1.70x in FY17 . During 11MFY18, the capital structure and debt coverage indicators further improved and stood on account of reduction debt level.

Improvement in profit margin: Despite reduction in realization its margins have improved .with improvement in PBILDT margin at 22.27% in FY17 primarily on account of growth in the scale of operations along with reduction in cost of traded goods sales and other manufacturing expenses (repairs and maintenance expenses and job work expenses).Furthermore, due to savings in the interest cost (due to reduced debt level) and improvement in PBILDT margin, RPL has posted net profit of 9.17% in FY17. Margins however declined marginally in 11MFY18; however it continues to remain healthy.

Key Rating Weaknesses

Working capital intensive nature of operations : RPL's working capital cycle has deteriorated marginally from 45 days in FY16 to 65 days in FY17 primarily on account of deterioration in the collection and inventory period in FY17 due to stringent policies followed by the management. Nevertheless RPL's business operations continue to be comfortable with average working capital utilization stood at 30% and average maximum utilization stood at 48% for past twelve months ended February 2018.

Proposed IPO during FY19 for the capacity expansion project : RPL is planning to raise about Rs.40 crore through IPO during FY19, the said funds would be utilized towards its capacity expansion project of Rs. 40 crore. Till March 28, 2018, it has incurred cost of Rs.1.60 crore which have been funded through internal accruals. The actual commencement of commercial production is envisaged to start from July, 2019. Successful completion of proposed IPO and completion of the ongoing capex within time and cost parameters would be the key rating sensitivity.

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 disposable 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 Millilitres (ml)] under the brand name 'Natraj', 'Samrat', 'Satyam', 'King' and 'Ajanta' 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 5960 MTPA in thermoforming division and 8200 MTPA capacity in extrusion division as on March 31,2017 .

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	95.65	96.31
PBILDT	19.95	21.45
PAT	7.94	8.83
Overall gearing (times)	0.95	0.64
Interest coverage (times)	5.03	7.36

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	-	-	(February 2022)	15.68	CARE BBB+; Stable
Fund-based - LT-Cash Credit	-	-	-	7.00	CARE BBB+; Stable
Non-fund-based - ST-Letter of credit	-	-	-	2.00	CARE A3+; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	0.40	CARE A3+; Stable
Fund-based - ST-Bills discounting/ Bills purchasing	-	-	-	3.00	CARE A3+; 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	15.68	CARE BBB+; Stable	1)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	7.00	CARE BBB+; Stable	1)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+; Stable	1)CARE A3+ (Under Credit watch with Developing Implications) (04-Apr-18)	1)CARE A3+ (12-Apr-17)	-	1)CARE A3 (03-Dec-15)
4.	Non-fund-based - ST-Bank Guarantees	ST	0.40	CARE A3+; Stable	1)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	3.00	CARE A3+; Stable	1)CARE A3+ (Under Credit watch with Developing Implications) (04-Apr-18)	1)CARE A3+ (12-Apr-17)	-	-

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