

## Press Release

**BK Print and Pack Haridwar**

**April 11, 2020**

### Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating	Rating Action
1	Long Term Bank Facilities	12.50	IVR BB/Stable Outlook (IVR Double B with Stable Outlook)	Assigned
	<b>Total</b>	<b>12.50</b>		

**Details of Facilities are in Annexure 1**

### Detailed Rationale

The rating assigned to the bank facilities of BK Print and Pack Haridwar (BKPPH) derives comfort from its experienced partners in the printing sector leading to established relationship with customers and suppliers, its state of the art manufacturing facility and positive outlook for paper industry. However, the rating strengths are partially offset by modest scale of operations of the firm, presence in highly fragmented industry, working capital intensive nature of operations and its partnership nature of constitution. The rating also considers its moderate capital structure and debt protection metrics.

### Key Rating Sensitivities:

#### Upward Factors

- Growth in scale of operations with improvement in profitability and cash accruals on a sustained basis
- Improvement in the capital structure and debt protection metrics
- Improvement in working capital cycle and liquidity

#### Downward Factors

- Any decline in the revenue and/or profitability impacting the debt protection metrics on a sustained basis
- Moderation in the capital structure
- Any material stretch in working capital cycle impacting the liquidity

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### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Experienced Partners**

The partners of the firm Ms. Indu Jindal have an experience of over two decades whereas Mr. Sandeep Singla has an experience of over 15 years in manufacturing of corrugated boxes and mono boxes. Day to day is also looked after by Mr. Sanjay Jindal who is a chartered accountant by profession. The vast experience of the partners enables them to operate the business efficiently.

- **Advance machinery setup**

The plant has variety of well-equipped machinery as well as in-house testing room, which assures the quality of each and every product up to the mark. Also, it is 100% power backup facility to ensure no productivity delays. The plant consists of state-of-the-art machinery and infrastructure.

- **Established relationship of the firm with suppliers and customers**

The firm has been engaged in manufacturing of corrugated boxes and mono boxes for about nine years resulting established relationship with its customers and suppliers.

- **Positive outlook for Paper industry**

Increasing urbanization and middle class population with surge in literacy rates in India, is expected to create huge demand for paper products such as newsprint, packaging, and writing paper. Also, changing consumer preferences towards convenient packaging solutions along with sustainability in mind will diminish the demand for plastic packaging and hence fuel the paper and paperboard industry.

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### **Key Weaknesses:**

- **Modest scale of operations**

Although the operating revenue of the firm is increasing but the scale of the firm is likely to be small in an intensely competitive industry. The operating revenue of the firm stood at Rs. 40.80 crore in FY19.

- **Highly fragmented Industry**

The packaging industry is highly fragmented with presence of several organised and unorganized players. Intense competition limits the bargaining power of the companies and restricts its profitability to an extent.

- **Working Capital Intensive Operations**

The average collection period for FY19 is 56 days and inventory holding period is 83 days. This implies working capital intensive operations where much of the firm's cash is locked up with the customers. On average, the firm takes around 72 days to pay its suppliers. Also, the average utilization of the working capital facility stood at ~96% for 12 months ending January 2020.

- **Moderate capital structure and debt protection metrics**

BKPPH has a moderate capital structure marked by an overall gearing ratio of 3.18x as on March 31, 2019 as compared to 3.34x as on March 31, 2018. The capital structure has improved on account of infusion of funds by the partners. The firm's debt protection metrics are moderate market by interest coverage ratio of 2.17x as on March 31, 2019.

- **Partnership nature of constitution**

Being a partnership concern, BKPPH remains exposed to the risks of capital withdrawal by partners and any significant withdrawal could impact its net worth and capital structure.

**Analytical Approach:** Standalone

### **Applicable Criteria:**

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

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### **Liquidity: Adequate**

The liquidity profile of BKPPH is expected to remain adequate marked by its expected satisfactory cash accruals of ~Rs.3.98 crore vis a- vis its debt repayment obligations aggregating to ~Rs. 2.11 crore in FY20. The average utilization of its fund based limits of the firm during the past twelve months January, 2020 remained high at ~96% indicating a low liquidity buffer.

### **About the Firm**

BKPPH is engaged in the manufacturing of corrugated boxes and coloured mono cartons for a range of industries which includes FMCG, automobile, consumer durables, liquor and engineering industries. The firm manufactures mono corrugated cartons and printed cartons. The primary raw material – kraft paper and duplex board are purchased from various traders and paper mills located mainly in Uttarakhand.

### **Financials (Standalone):**

For the year ended* As on	(Rs. crore)	
	31-03-2018	31-03-2019
	Audited	Audited
Total Operating Income	36.38	40.80
EBITDA	4.96	5.52
PAT	1.25	1.46
Total Debt	20.94	21.89
Tangible Net worth	5.30	5.74
EBITDA Margin (%)	5.30	5.74
PAT Margin (%)	3.44	3.59
Overall Gearing Ratio (x)^	3.34	3.18

\*classification as per Infomerics standard

^ Loan from directors, related parties and group companies has been treated as Quasi-equity

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Nil

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### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Cash Credit	Long Term	9.00	IVR BB/Stable Outlook	-	-	-
2.	Over draft	Long Term	3.50	IVR BB/Stable Outlook	-	-	-

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities- Cash Credit	-	-	-	9.00	IVR BB/Stable
Long Term Bank Facilities - Overdraft	-	-	-	3.50	IVR BB/ Stable