



Rating Rationale

Adhunik Packagers Pvt. Ltd.

15 May 2019

Brickwork Ratings assigns the long term rating and short term rating for the Bank Loan Facilities of Rs. 8.97 Crs of Adhunik Packagers Pvt. Ltd.

Particulars

Facility Rated	Amount (Rs. Crs)	Tenure	Rating*
Fund Based			
Cash Credit (CC)	3.00	Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable
WCDL (Sub-limit of CC)	(3.00)		
Term Loan	4.37		
Sales Bill Discounting	1.60	Short Term	BWR A4 (Pronounced as BWR A Four)
Total	8.97	INR Eight Crores and Ninety Seven Lakhs Only	

* Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rating: Assigned

Brickwork Ratings assigned long term rating of 'BWR BB-' with 'Outlook:Stable' and short term rating of 'BWR A4' to the bank loan facilities of Rs. 8.97 Crores of Adhunik Packagers Pvt. Ltd.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

The rating has factored, inter alia, experience of directors of over two decades in packaging industry, long existence of the company for 28 years with satisfactory business history and adequate debt protection metrics in FY18. However, the rating is constrained by moderate scale of operations, stagnant operating income for the last 3 financial years and relatively low tangible net worth considering the long existence of the company. Going forward, ability of the company to scale up its operations, to manage its working capital efficiently, to improve its gearing by increasing its net worth and to improve its profit margins will be the key rating sensitivities.



Rating Outlook: Stable

BWR believes that the business risk profile of Adhunik Packagers Pvt. Ltd. will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale)

Key Rating Drivers

Credit Strengths

- **Long Existence of the Company:** The company is in existence for 28 years with satisfactory business history.
- **Experienced Directors:** The directors of the company are having over two decades of experience in packaging industry.
- **Adequate Debt Protection Metrics:** The company has adequate debt protection metrics with ISCR of 1.41 times and DSCR of 1.12 times in FY18.

Credit Weaknesses

- **Low Tangible Net Worth :** Tangible net worth of the company stood at Rs. 3.08 Crores as on March 31, 2018, which is relatively low considering the long existence of the company for 28 years.
- **Stagnant Operating Income:** The operating income of the company is stagnant for the last three financial years i.e. from FY16 to FY18.
- **High Degree of Competition:** Packaging industry is highly fragmented & intensely competitive with potential threat from other manufacturers due to low entry barriers which may impact the profit margins.

About the Company

Adhunik Packagers Private Limited was incorporated in 1991 with registered office in Parwanoo, Himachal Pradesh. The Company has two directors namely Mr. Ritesh Garg and Mr. Roopesh Garg. The company is into manufacturing of flexible packaging material (wrappers), used in packaging of food, FMCG products, consumer goods, etc. The company is manufacturing the packaging materials using paper, polyester films and plastic granules which are procured domestically. Reckitt Benckiser (India) Private Limited, Wipro Enterprises Private



Limited, Havells India Limited, VVF India Limited and Anchor Health and Beauty Care Private Limited, etc, are the major customers of the company.

Company’s Financial Performance:

The company has registered a total operating income of Rs.38.00 Crores in FY18 as against Rs.36.32 Crores in FY17. It has reported operating profit margin of 4.99% and net profit margin of 1.10% in FY18. Tangible net worth of the company stood at Rs. 3.08 Crores as on March 31, 2018.

As per the information provided by the management, the company has achieved sales of Rs. 39.18 in FY19 (during april, 2018 to March, 2019).

Parameters	Units	FY16	FY17	FY18
		(Audited)	(Audited)	(Audited)
Total Operating Income	Rs. Crores	36.67	36.32	38.00
EBIDTA	Rs. Crores	1.97	1.70	1.90
PAT	Rs. Crores	0.21	0.21	0.42
Tangible Net Worth (TNW)	Rs. Crores	2.45	2.66	3.08
Total Debt / TNW	Times	5.51	4.88	3.60
Current Ratio	Times	1.32	1.34	1.50

Rating History for the last three years: (including withdrawn/suspended ratings)

Sl. No.	Facility	Current Rating (May, 2019)			Rating History		
		Type	Amount (Rs. Crs)	Rating	2018	2017	2016
1	Cash Credit (CC)	Long Term	3.00	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable	Nil	Nil	Nil
2	WCDL (Sub-limit of CC)		(3.00)				
3	Term Loan		4.37				
4	Sales Bill Discounting	Short Term	1.60	BWR A4 (Pronounced as BWR A Four)			
Total			8.97	INR Eight Crores and Ninety Seven Lakhs Only			

Status of non-cooperation with previous CRA (if applicable) : Not Applicable

Any other information: Nil



Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Short Term Debt](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

For any other criteria obtain hyperlinks from website

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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