



Rating Rationale

Eswar Print 'N' Pack Pvt. Ltd

18 May 2018

Brickwork Ratings reaffirms 'BWR BB-' for the long term Bank Loan facilities of Rs.5.50 Crs of 'Eswar Print 'N' Pack Pvt. Ltd.' ('EPNPPL' or 'the Company') and withdraws the short term rating of BWR A4 for Rs.0.30 Crs

Particulars

Facility #	Amounts (Rs. Crs)		Tenure	Ratings [^]	
	Previous	Present		Previous (January 2017)	Present##
<u>Fund Based</u>					
Open Cash Credit	4.00	5.50	Long Term	BWR BB- Rating Not Reviewed	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable Reaffirmed
Term Loan	1.13	0.00			
<u>Non-Fund Based</u>					
Bank Guarantee	0.30	0.00	Short Term	BWR A4 Rating Not Reviewed	Withdrawn
Total	5.43	5.50 (INR Five Crores Fifty Lakhs Only)			

#Annexure-I provides details of bank facilities

[^] Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financials upto FY17, provisional financial results upto FY18, projected financials upto FY20, publicly available information and information/clarifications provided by the management.

The rating continues to derive comfort from the experience of the promoters, established track record and reputed clientele. The rating, however, continues to be constrained by the below average

18 May 2018



financial risk profile marked by small scale of operations, thin profitability, low networth, susceptibility of profit margins to fluctuation in raw material prices and presence in a fragmented and intensely competitive industry.

Going forward, the ability of the Company to increase its scale of operations, improve its overall credit risk profile and efficiently manage its working capital would remain the key rating sensitivities.

Analytical approach

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

Key Rating drivers

Credit strengths

- **Experienced promoter, established track record and reputed clientele**

The promoter has over twelve years' experience in operating a paper mill and more than eight years of experience in manufacturing of corrugated boxes. During this period, the Company has established strong relationships with its customers like Pepsi India Ltd., United Breweries Ltd. and Sri Vijaya Visakha Milk Producers Company Ltd., which results in repeat orders for EPNPPL.

Credit Weaknesses

- **Below average financial risk profile marked by small scale of operations, thin profitability and low networth**

Due to intense competition in the market, the scale of operations of EPNPPL has remained small as the Company reported net sales of Rs.24.18 Crs in FY17 as against Rs.18.58 Crs in FY16. Operating profit margin of the Company continued to be low at 5.50% in FY17 as against 7.01% in FY16. ISCR was moderate at 1.94 times for FY17. The networth of the Company has remained low at Rs.4.95 Crs as on March 31, 2017. However, the overall gearing of the Company was comfortable at 1.32 times as on March 31, 2017 mainly due to its limited dependence on working capital borrowings and absence of any capex.

- **Susceptibility of profit margins to fluctuation in raw material prices**

Due to growing trend of recycling of waste paper globally, the prices of waste paper have increased in the international markets in recent years, which has inflated the prices of Kraft Paper. Kraft Paper is a key raw material and constitutes ~85% of EPNPPL's expenses.



Hence, any adverse changes in the prices of kraft paper can significantly impact the profitability of the Company.

- **Presence in a highly fragmented and competitive industry**

The packaging industry is highly fragmented with presence of a large number of small, unorganised as well as large organised players. The relatively low entry barriers intensify the competition and place pressure on the profitability of the Company.

Rating Outlook: Stable

BWR believes EPNPPL's business risk profile 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 margins show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and margins show lower than expected figures.

Company Background

Eswar Print 'N' Pack Pvt. Ltd. (EPNPPL) is an Unguturu, West Godavari, Andhra Pradesh based company incorporated in 2010 for manufacturing of corrugated paper boxes used by FMCG companies for packaging purposes. The manufacturing plant is also located at Unguturu, with installed capacity of 7200 MTPA. The clients are primarily FMCG companies located in Andhra Pradesh and Karnataka. The key raw material is kraft paper which is procured from its group concern Siva Sankara Paper Mills [Rated BWR BB (Outlook:Stable)] and other domestic suppliers.

Mr. K. Lakshmi Narayana Raju is the Managing Director.

Financial Performance

In FY17, EPNPPL reported net sales of Rs.24.18 Crs and PAT of Rs.0.30 Crs as against net sales of Rs.18.58 Crs and PAT of Rs.0.21 Crs in FY16. On a provisional basis, for FY18, the Company has reported net sales of Rs.27.65 Crs. Current ratio was moderate at 1.34 times as on March 31 2017.

Rating History for the last three years:

Facility	Current Rating (May 2018)			Rating History		
	Type	Amount (Rs. Crs)	Rating	17/01/2017 [^]	16/10/2015 ^{^^}	2014
Fund Based Open Cash Credit	Long Term	5.50	BWR BB- (Outlook: Stable) Reaffirmed	BWR BB- Rating Not Reviewed	BWR BB- (Outlook:Stable) Assigned	Not Rated
Non-Fund Based Bank Guarantee	Short Term	0.30	Rating Withdrawn	BWR A4 Rating Not Reviewed	BWR A4 Assigned	Not Rated
Total		5.50	INR Five Crores and Fifty Lakhs Only			

[^]Rated amount: Rs.5.43 Crs; ^{^^}Rated Amount: Rs.5.43 Crs

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Hyperlink/Reference to applicable Criteria:

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

Analytical Contacts	Media
Rajee R General Manager- Ratings analyst@brickworkratings.com	media@brickworkratings.com
	Relationship Contact
	bd@brickworkratings.com
Phone: 1-860-425-2742	

Eswar Print 'N' Pack Pvt. Ltd.

Details of the Rated Bank Loan Facilities

Bank	Facilities	Rated Amount (Rs. Crs)
Andhra Bank, Tadepalligudem Branch, West Godavari, Andhra Pradesh	Open Cash Credit	5.50
	Total	5.50

**Annexure II
Key Financial Indicators**

Particulars		31/Mar/2016	31/Mar/2017
Net Sales	(Rs. Cr)	18.58	24.18
EBITDA	(Rs. Cr)	1.30	1.33
PAT	(Rs. Cr)	0.21	0.30
Tangible Networth	(Rs. Cr)	4.65	4.95
Total Debt: TNW	(Times)	1.20	1.31
Current Ratio	(Times)	1.38	1.34

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

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, has also been 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 Nationalized 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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along



with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.