



Rating Rationale

Om Packaging

14 Dec 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 8.00 Crores of Om Packaging

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund Based	7.50	Long Term	BWR B+ [Pronounced as BWR Single B Plus] Outlook: Stable
Non Fund Based	1.50	Short Term	BWR A4 [Pronounced as BWR Single A Four]
Total	8.00 (Overall exposure restricted to INR 8 crores)	INR Eight Crores Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results up to FY17, provisional financial results of FY18, publicly available information and information/clarifications provided by the firm's management.



The rating has factored, inter alia, long existence of the firm in packaging business and moderate liquidity profile.

However, the rating is constrained by low net worth, high gearing, low profitability margins, intense competition and high conversion cycle.

Going forward, ability of the firm to increase its scale of operations, to improve its profitability margins, to increase its net worth and to service its debt obligations on time would be the key rating sensitivities of the firm.

Description of Key Rating Drivers:

- **Credit Strengths:**

Long existence in the business:- OP was established in 1994. Thus, it has been in existence for more than two decades and has developed strong relationship with its customers and suppliers .

Moderate liquidity profile:- It enjoys a moderate liquidity indicated by current ratio of about 1.19 times in FY17.

- **Credit Risks:**

Low networth:- In spite of its long existence in business, the networth of the firm was low at Rs 3.58cr in FY17.

High gearing ratios:- The gearing ratio remains high indicated by Total Debt/TNW ratio of around 3.16 times in FY17.

Intense competition:- Due to fragmented nature of the industry, there is an intense competition which affects profitability margins.

Low profitability margins:- OP has thin profitability margins with operating margin of 7.73% and net profit margin of 0.47% in FY17

High conversion cycle:- The conversion cycle was around 145 days in FY17.



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).

Rating Outlook: Stable

BWR believes that **Om Packaging'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 show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Established in 1994, Om Packaging (OP) is a partnership firm engaged in manufacturing of various types of drums and containers used for packaging purposes. It is promoted by Mr. Birendra Kumar and Mr. Avinash Kumar who have an experience of about 24 years and 8 years respectively in this industry. The products find usage in pharmaceutical, food, chemical and other industries. The clients are located all over India. OP is located in Sonapat, Haryana. It is ISO 9001:2008 certified.

Firm's Financial Performance:

As per audited financials of FY17, the firm has achieved a revenue of Rs 26.34cr and PAT of Rs 0.12 cr. Net Worth of the firm stood at Rs 3.58cr in FY17.

As per provisional financials of FY18, Sales and PAT stood at Rs 20.90cr and Rs 0.02cr respectively.



Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
	Fund Based	Long Term	7.50	BWR B+ (Stable)	NA	NA	NA
	Non Fund Based	Short Term	1.50	BWR A4	NA	NA	NA
	Total		8.00 (Overall Exposure restricted to INR 8 Crores)	₹ Eight Crores Only			

Status of non-cooperation with previous CRA (if applicable)-Reason and comments



Key Financial Indicators

Key Parameters	Units	2017 (Audited)	2016 (Audited)
Result Type			
Operating Revenue	₹ Cr	26.37	22.91
EBITDA	₹ Cr	2.04	1.88
PAT	₹ Cr	0.12	0.36
Tangible Net worth	₹ Cr	3.58	3.37
Total Debt/Tangible Net worth	Times	3.16	2.76
Current Ratio	Times	1.19	1.40

Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website

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For print and digital media



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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.

DISCLAIMER

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