

Rating Rationale

Brickwork Ratings Reaffirms ratings for Bank Loan Facilities aggregating ₹8.55 Cr of Perfectpac Limited

Brickwork Ratings *re-affirms* the **Ratings¹** of Perfectpac Limited (or “the Company”)’s Bank Loan Facilities of Rs.8.55 Cr availed from Canara Bank as follows:

Facility	Limits (₹ Cr) (Jan 2014)	Limits (₹ Cr) (Nov 2015)	Tenure	Previous Rating (Jan 2014)	Present Rating (Nov 2015)
Cash Credit	8.50	4.50	Long Term	BWR BB- (Pronounced BWR Double B Minus) (Outlook : Stable)	BWR BB- (Pronounced BWR Double B Minus) (Outlook : Stable) (Reaffirmed)
Term Loan	5.54	-			
LC / FLC Buyers Credit	4.00 -	4.00 (3.00)	Short Term	BWR A4 (Pronounced BWR A Four)	BWR A4 (Pronounced BWR A Four) (Reaffirmed)
BG	0.05	0.05			
Total	18.09	8.55	INR Eight Crores & Fifty Five Lakhs only		

Note: LC / FLC: Letter of Credit/ Foreign Letter of Credit and BG: Bank Guarantee; Buyers Credit is a sublimit of LC

BWR has principally relied upon the audited financial results up-to FY15, Half Yearly results of FY16, projected financials for FY16 & FY17 of the Company, publicly available information / clarifications provided by the Company’s management.

The rating has, inter alia, factored the promoter’s background, established relationship with reputed clientele, improved performance in H1FY16 financials and reduced gearing. The rating is however constrained by decline in financials for FY15 and reduction in production/utilisation capacity.

Background

Perfectpac Limited, a public limited company, initiated business in 1973 by manufacturing of polystyrene and corrugated fiberboard boxes, at its two plants based in Faridabad and Greater Noida. Its products are used for packing electronic appliances and food products and other home appliances. In view of increasing competition and as measure of cost reduction, the Company sold its Faridabad Plant and reduced its debt burden, which although led to reduction in capacities. The Company has its operational unit in Greater Noida with an installed capacity of 24000 Metric Tonnes per annum.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

The Company founded by Mr. Sham Sunder Khemka and Mrs. Prabha Rajgarhia is listed on Bombay Stock Exchange and Calcutta Stock Exchange, presently looked after by Mr. Sanjay Rajgarhia. The promoters with its group Companies hold 72.98% per cent and the balance 27.02% per cent is held by public.

The Company has over four decades of track record in manufacturing corrugated boxes & has a reputed client base that includes companies such as Samsung Electronics, Whirlpool, L.G. & Amazon.

Management Profile

Mr. Sanjay Rajgarhia, Managing Director, has 26 years of experience in the field of manufacturing

Corrugated boards. Mr. Rajendra Kumar Rajgarhia is the Chairman of the Company & has more than four decades of experience in the business. Mr. S.L. Keswani is Doctorate in Pulp and Paper Technology from the Institute of Cellulose Chemistry, Technical University, West Germany. The Board also includes Mr. Harpal Singh Chawla. Smt. Ruchi Vij is an Independent Director.

Financial Performance

The revenues of the company were Rs.89.61Cr in FY14 and Rs.66.50 Cr in FY15. The decline in sales was attributed to decline in capacities due to shelving of its unit which was majorly into polystyrene. Post sale of its unit during the year, the Company achieved a net profit of Rs.8.29 Cr in FY15, It has achieved revenue of Rs.33.23 Cr in H1FY16 and is confident of achieving its projections for FY16. The net profit stands at Rs.0.37 Cr in H1FY16. The Company's leverage reduced from 2.21 times in FY14 to 0.41 times in FY15, and needs to improve on its interest coverage ratio.

Rating Outlook

The outlook for the Company for the next one year is expected to be stable. Going forward the Company's ability to build on its capacity utilization and increase the scale of operations, thereby assisting increasing the profitability and improve the coverage ratios will remain the key rating sensitivities. Also, managing the working capital with effective cost management shall be crucial for the Company's growth trajectory.

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