

## Rating Report

### Brickwork Ratings assigns 'BWR BB-' & 'BWR A4' for the Bank Loan Facilities aggregating ₹ 8.11 Cr of Amarsai Shrink Pack Pvt. Ltd.

Brickwork Ratings assigned the following **Ratings**<sup>1</sup> for Bank Loan Facilities of Amarsai Shrink Pack Private Limited (*ASPPL* or "*the Company*").

Facility	Limits (₹ Cr)	Tenure	Rating
<b>Fund Based:</b> Cash Credit (CC) Term Loans (TL)	<b>5.00</b> <b>2.66</b>	<b>Long Term</b>	<b>BWR BB-</b> (BWR Double B Minus)  <b>(Outlook: Stable)</b>
<b>Fund Based:</b> SLC	<b>0.45</b>	<b>Short Term</b>	<b>BWR A4</b> (BWR A Four)
<b>Total</b>	<b>8.11</b>	<b>(INR Eight Crores &amp; Eleven Lakhs only)</b>	

BWR has relied upon the audited financial results up to FY13 and projected financials up to FY15 of ASPPL, publicly available information, and the information/clarifications provided by the Company.

The ratings, inter alia, factor the promoters' industry experience, good and improving profitability, diversified product and customer portfolio, and moderate capital structure of the Company. The ratings, however, are constrained due to relatively lesser business track record, modest scale of operations, and high working capital intensity of business.

#### Company Background and Operations

Amarsai Shrink Pack Private Limited (ASPPL) was incorporated in the year 2010 by converting it into private limited company from a constitution of partnership firm. This partnership firm was established previously in the year 2006 in the name and style of Amarsai Shrink Pack by its partners (presently directors) Mr. Machindra Shewale and Mr. Papat Gangurde.

The Company manufactures premium quality packaging and labeling materials. It has a diversified product profile such as PVC Shrink Films, Reverse Printed Shrink Labels, General Packing Sleeves, Reverse Printed Sleeves or Labels, Cap Seals, Dry Cell Battery

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

Sleeves, etc. It has an installed capacity of 80 tonnes/month and the utilization is approximately 75%.

The Company expanded its operations by installing additional machinery at its plant in FY12 that resulted into a multifold growth in sales in that financial year. Inventory holding, however, has increased in order to balance margins and competition; resulting into deterioration in cash conversion cycle and significant working capital limits utilization. The Company, presently, is entirely utilizing its working capital limits.

The Company's customer portfolio is well diversified. It caters to around 67 customers; and the top 5 customers contribute to only 39% and 33% of the Company's revenue for FY13 and 9 months ended FY14 respectively. The top 5 suppliers, however, account for over 90% of the material purchased, indicating supplier concentration risk.

### **Management Profile**

The Company is established and run by well experienced first generation entrepreneurs Mr. Machindra Shewale and Mr. Popat Gangurde.

Mr. Machindra Shewale, aged 43 years, has completed Diploma in Electrical Engineering and has more than 21 years of experience in similar line. He has worked with Garware Polyester Ltd for 16 years. Subsequently, he started his own business, ASPPL, where he currently is a Director. He holds 90% stake in the company and looks after the day to day activities of the company.

Mr. Popat Gangurde, aged 46 years, has more than 16 years of experience in similar line. He also worked with Garware Polyester Ltd in Production Department and is a Director at ASPPL. He holds 5% stake in the company and looks after production as well as administration activities of the company.

Mrs. Sunita Shewale, aged 33 years, has around 4 years of experience in similar line. At present she is a Director at ASPPL. She holds 5% stake in the company and looks after the production as well as administration activities of the company.

### **Financial Performance**

During the FY13, the Company's operating income increased at ₹26.85 Cr as against ₹21.50 Cr in FY12. It also had a multifold revenue growth in FY12 compared to previous FY11 operating income of ₹9.02 Cr. As per provisional figures, for 9 months ended of FY14 it has achieved an operating income of ₹27.86 Cr. Profit margins of the business are good and have also improved since FY11; operating margins increasing to 11.02% in FY13 from 7.66% in FY11 and PAT margins increasing to 3.80% in FY13 from 2.10% in FY11.

Due to which the coverage indicators are also comfortable with ISCR at 3.07 times and DSCR at 1.92 times in FY13.

The Company, however, has modest scale of operations in highly fragmented and competitive packaging industry. The net worth as on 31/Mar/2013 stood at ₹5.46 Cr and debt to equity ratio was also at moderate levels of 1.47 times as on 31<sup>st</sup> March 2013.

### Outlook

The outlook is Stable. The firm's ability to sustain its profitability, increase the size and scale of the business, improve inventory turnover, and manage working capital requirements are the key rating sensitivity factors.

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**Key Financials – Amarsai Shrink Pack Private Limited**

**Annexure I: Abridged Balance Sheet (₹Cr)**

	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
<b>Result Type</b>	<b>Audited</b>		
<b>LIABILITIES</b>			
<b>EQUITY AND RESERVES</b>	<b>2.89</b>	<b>3.74</b>	<b>5.46</b>
Share capital	2.40	2.70	2.80
Share Application money Pending allotment	0.30	0.10	0.70
Reserves and Surplus	0.19	0.94	1.96
<b>Non-current liabilities</b>	<b>1.62</b>	<b>2.43</b>	<b>3.44</b>
Long-Term Borrowings	1.62	2.43	3.44
<b>Current liabilities</b>	<b>2.04</b>	<b>4.53</b>	<b>6.16</b>
Short-Term Borrowings	1.36	2.51	4.05
Current Portion Of Long Term Debt	0.20	0.42	0.53
Trade Payables	0.43	1.51	1.28
Short-Term Provisions	0.06	0.09	0.31
<b>Total Liabilities</b>	<b>6.56</b>	<b>10.70</b>	<b>15.06</b>
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>2.72</b>	<b>3.68</b>	<b>5.24</b>
Net Fixed assets	2.52	3.47	5.04
Non-Current Investments	0.20	0.20	0.20
<b>Current assets</b>	<b>3.33</b>	<b>7.02</b>	<b>9.82</b>
Inventories	1.24	3.77	6.10
Trade Receivables < Six Months	1.98	3.25	3.70
Cash and Cash Equivalent	0.12	0.01	0.02
<b>Total Assets</b>	<b>6.05</b>	<b>10.70</b>	<b>15.06</b>

**Annexure II: Abridged Profit and Loss (₹ Cr)**

	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
<b>Result Type</b>	<b>Audited</b>		
<b>Operating Income</b>	<b>9.02</b>	<b>21.50</b>	<b>26.85</b>
Operating Expenses	8.33	19.13	23.89
<b>OPBDIT</b>	<b>0.69</b>	<b>2.37</b>	<b>2.96</b>
Depreciation/Amortization/Impairment	0.29	0.49	0.67
<b>OPBIT</b>	<b>0.40</b>	<b>1.88</b>	<b>2.29</b>
Interest and Finance Charges	0.16	1.04	0.96
<b>PBT</b>	<b>0.25</b>	<b>0.84</b>	<b>1.33</b>
Provision for Taxes	0.06	0.09	0.31
<b>PAT</b>	<b>0.19</b>	<b>0.75</b>	<b>1.02</b>

**Annexure III: Ratio Analysis\***

<b>Key Ratios</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
Tangible Net worth ( ` Cr)	2.89	3.74	5.46
D/E Ratio (x)	1.10	1.43	1.47
Interest Coverage (x)	4.42	2.27	3.07
Debt Service Coverage (x)	4.06	1.83	1.92
Net Profit Margin (%)	2.10	3.50	3.80
Net Cash Accruals / Total Debt (x)	0.15	0.23	0.21
ROCE (%)	6.63	24.84	20.28
Current Ratio (x)	1.63	1.55	1.59

\*Calculation has been done based on BWR ratio definition