

March 24, 2017

Daman Ganga Packaging Solutions LLP

Instrument*	Rated Amount (in crore)	Rating Action
Fund-based Limits	14.75	[ICRA]B+ (Stable); Assigned
Total	14.75	

*Instrument details are provided in Annexure-1

Rating Action

ICRA has assigned the long-term rating of [ICRA]B+ (pronounced ICRA B plus) on the Rs. 11.75-crore¹ term-loan facility and the Rs. 3.00-crore working capital facility of Daman Ganga Packaging Solutions LLP (DGPSL)². The outlook assigned on the long-term rating is 'Stable'.

Rationale

The assigned rating is constrained by the firm's modest scale of operations, weak financial profile characterised by low profitability and modest debt coverage indicators. Further, the rating also takes into account the recent debt-funded capex towards enhancing productions capacity and purchase of land for future expansion plans, which is likely to exert pressure on the firm's profitability in near to medium term. The rating also considers the intense competition witnessed by the firm due to fragmented nature of the industry and the presence of multiple players in the organised as well as the unorganised segments, which exert pressure on its margin. ICRA also notes that DGPSL is a limited liability partnership concern and any substantial withdrawal from the capital account in future could adversely impact the credit profile of the firm.

The rating, however, favourably factors in the long experience of the partners in the packaging business and the established relationship with some reputed clientele. The rating also draws comfort from diversified application of the firm's products in various industries, which offsets the risk caused by demand fluctuation in any of those consumer industries. The rating also favourably factors in the positive demand outlook for the packaging industry from end-user industries, mainly FMCG, driven by growing population, consumerism, spending and retail penetration

The firm's ability to increase its scale of operation, maintain adequate profitability, generate commensurate accruals to suffice the debt servicing obligations and improve its capital structure, given the vulnerability of the firm's profitability towards raw material prices, small scale of operations and intense competition, will remain crucial for the credit metrics.

Key rating drivers

Credit strengths

- Long experience of the partners in packaging industry
- Diversified customer base due to wide applications of the firm's products in various industries; association with some reputed clientele
- Favourable demand outlook for packaging products driven by growing population, consumerism, spending and retail penetration

Credit weaknesses

- Modest scale of operations; financial profile characterised by low profitability, as well as modest debt coverage metrics
- Recent debt-funded capex likely to exert pressure on the profitability of the firm in near to medium term
- Intense competition in the industry, characterised by the presence of a large number of players
- Partnership firm, any substantial withdrawal from capital accounts would impact the net worth and thereby the gearing levels

Description of key rating drivers highlighted above:

DGPSL manufactures and supplies paper-based packaging products such as paper core tubes and fibre drums, which finds applications in winding applications of adhesives, textiles, paper mills, yarn manufacturers, electrical wire manufacturers and export packaging of bulk drugs, pharmaceuticals, chemicals, foodstuffs and various other industries. The manufacturing unit has a current installed capacity of manufacturing 10000 Metric Tonnes per annum (MTPA) of paper core tubes and 300000 pieces of fibre drums. The firm incurred capex of Rs. 18.40 crore in FY2016, funded partly through bank loans and partner's capital. The debt-funded capex and associated debt obligations are likely to put pressure on the firm's profitability in near to medium term as generating sufficient accruals to cover the servicing obligations would remain a key credit concern for the firm. Further, the packaging industry is characterised by fragmented industry structure, resulting from low entry barriers and presence of multiple players in the organised and unorganised segment, which inhibit smaller firms from increasing their scale of operations. However, the experience of the partners in packaging industry through association with other group concerns of Daman Ganga group, who are engaged in related line of business, and the favorable demand outlook for packaging industry, is likely to support the increase in scale operations of the firm.

Analytical approach:

For arriving at the ratings, ICRA has taken into account the debt servicing track record of DGPSL, and the business risk profile, financial risk drivers and management profile of the two closed entities Daman Ganga Paper Tubes & Cores Private Limited and Daman Ganga Paper Convertors Private Limited and the newly established firm Daman Ganga Packaging Solutions LLP.

Links to applicable criteria

Corporate Credit Rating –A Note on Methodology

About the company:

Established in 2015 as a limited liability partnership firm, Daman Ganga Packaging Solutions LLP (DGPSL) commenced its business from August 2016 after the closure of the two other group companies,

Daman Ganga Paper Tubes & Cores Private Limited (DGPTPL) and Daman Ganga Paper Convertors Private Limited (DGPCPL), in July 2016, and taking over their business in the newly formed DGPSL. DGPSL is a part of the Daman Ganga group established in 1974. The group along with its companies is engaged in manufacturing paper and paper-based products to cater to the packaging requirements of varied industries. DGPSL is owned and managed by Mr. Banjul Shah, Mr. Ashok Shah and Mr. Jitendra Shah, along with five other partners. DGPSL manufactures paper tube cores and fibres drums to cater to the packaging needs of adhesives, textiles, pharmaceuticals etc. The manufacturing unit of the firm is located in Vapi, Gujarat and is equipped with an installed capacity of manufacturing 10000 MTPA of paper core tubes and 300000 pieces of fibre drums.

On January 31, 2017, the firm reported an operating income of Rs. 10.28 crore with a net profit of Rs. 0.16 crores as per the 6MFY2017 (August 2016 to January 2017) provisional unaudited financials.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Table: Rating History

S.No	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. Crores)	Month-year & Rating	Month-year & Rating in FY2016	Month-year & Rating in FY2015	Month-year & Rating in FY2014
				Mar-17	N.A.	N.A.	N.A.
1	Cash Credit	Long Term Fund based	3.00	[ICRA]B+ (Stable)	N.A.	N.A.	N.A.
2	Term Loan	Long Term Fund based	11.75	[ICRA]B+ (Stable)	N.A.	N.A.	N.A.

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Details of Instrument

Name of the instrument	Date of issuance	Coupon rate	Maturity Date	Size of the issue (Rs. Cr)	Current Rating and Outlook
Cash Credit	-	-	-	3.00	[ICRA]B+ (Stable)
Term Loan	December 2016	-	December 2023	11.75	[ICRA]B+ (Stable)

Source: DGPSL

Name and Contact Details of the Rating Analyst(s):

Subrata Ray
+91 22 2433 1086
subrata@icraindia.com

Suprio Banerjee
+91 22 61143443
supriob@icraindia.com

Megha Bansal
+91 79 40271541
megha.bansal@icraindia.com

Manan Dave
+91 79 40271546
manan.dave@icraindia.com

Name and Contact Details of Relationship Contacts:

Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com



About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

© Copyright, 2017, ICRA Limited. All Rights Reserved
Contents may be used freely with due acknowledgement to ICRA

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax:
+91-79-25569231

Pune**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500