

Ratings

CRISIL Ratings Limited (A subsidiary of CRISIL Limited)



Rating Rationale

August 18, 2021 | Mumbai

B&B Triplewall Containers Limited

Rating upgraded to 'CRISIL BBB+/Stable'

Rating Action

Total Bank Loan Facilities Rated	Rs.40 Crore
Long Term Rating	CRISIL BBB+/Stable (Upgraded from 'CRISIL BBB/Positive')

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has upgraded its rating on the long-term bank facilities of B&B Triplewall Containers Ltd (BBTCL) to '**CRISIL BBB+/Stable**' from '**CRISIL BBB/Positive**'.

The upgrade factors in sustenance of improved operating performance over the medium term. Operating income has improved by 22.59 percent to Rs.243.87 crore in Fiscal 2021, despite the disruptions from pandemic, largely supported by demand from its e-commerce and FMCG customers. The company is likely to report steady growth in this fiscal as well, supported by strong demand. It has already reported a healthy performance in first quarter of fiscal 2022, which should continue in the coming quarters. With completion of capex later in this fiscal, the company will be able to increase its production and meet higher orders. The operating profit have improved from 10.15 percent in Fiscal 2020 to 13.57 percent in Fiscal 2021 and is expected to be sustained over the medium term. This improvement in operating performance should further strengthen the financial risk profile of the company.

The rating reflects extensive entrepreneurial experience of the promoters in the industrial paper packaging industry, their established relationships with clients and BBTCL's comfortable financial risk profile. These strengths are partially offset by exposure to intense competition, customer concentration risk and exposure to cyclicity in the end-user industry.

Analytical Approach

Unsecured loans (Rs.13.23 crore as on March 31, 2021) have been treated as neither debt nor equity because these loans are expected to remain in the business over the medium term.

Key Rating Drivers & Detailed Description

Strengths:

Extensive entrepreneurial experience of promoters and established client relationships: The promoters' experience of two decades, their strong understanding of market dynamics and healthy relationships with suppliers and customers should continue to support the business. End-user profile is well-diversified and comprises fast-moving consumer goods (FMCG), processed food and beverages and online retail segments.

Comfortable financial risk profile: Networth was adequate at Rs 64.47 crore as on March 31, 2021, with gearing comfortable at 0.55 time. Debt protection metrics were robust, with interest coverage and net cash accrual to adjusted debt ratios of 7.41 times and 0.68 time, respectively, for fiscal 2021. Going forward, the financial risk profile of the company to continue at comfortable levels.

Weakness:

Exposure to intense competition and customer concentration risk: The industrial paper packaging industry in India is highly fragmented and the consequent intense competition may continue to constrain scalability, pricing power and profitability. Furthermore, the company's top-5 customers contribute to about 47.94 percent to the overall revenues, with single customer being at 27.19 percent. Any loss of customers or change in terms may significantly weaken the business risk profile.

Exposure to cyclicity in the end-user industry: Cyclical downturns or adverse variability in the demand-supply balance may result in lower realisations. Any adverse impact in the end-user industry may have an impact on the overall revenues and profitability of the company.

Liquidity: Adequate

Liquidity is likely to remain healthy, supported by the surplus in cash accrual and bank lines. Cash accrual is projected at around Rs 27 to 30 crore per annum in the medium term, sufficient to meet the debt obligation of Rs 4.81 crore per annum during the corresponding period. The fund-based limit of Rs 30 crore was utilised at an average of 52% during the 12 months through June 2021. CRISIL expects internal accruals, and unutilized bank lines to be sufficient to meet its repayment obligations as well as incremental working capital requirements.

Outlook: Stable

BBTCL should continue to benefit from extensive entrepreneurial experience of its promoters and established relationship with customers.

Rating Sensitivity factors**Upward Factors**

- Substantial and sustainable increase in revenue or profitability, leading to cash accrual of over Rs 33 crore
- Sustenance of strong financial risk profile

Downward Factors

- Steep decline in revenue or profitability, resulting in lower-than-expected cash accrual
- Deterioration in gearing to over 2 times due to sizeable stretch in working capital cycle or any large, debt-funded capital expenditure

About the Company

BBTCL was incorporated in August 2011 and commenced commercial operations in June 2012. The company, based in Bengaluru, manufactures corrugated boxes used for packaging of products in FMCG and electronic-commerce industries.

Key Financial Indicators

Particulars	Unit	2021	2020
Revenue	Rs.Crore	243.87	197.04
Profit After Tax (PAT)	Rs.Crore	15.87	4.53
PAT Margin	%	6.51	2.30
Adjusted debt/adjusted networkth	Times	0.55	0.76
Interest coverage	Times	7.41	3.95

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Cr)	Complexity Levels	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	18	NA	CRISIL BBB+/Stable
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	0.5	NA	CRISIL BBB+/Stable
NA	Term Loan	NA	NA	Sept-2023	21.5	NA	CRISIL BBB+/Stable

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2021 (History)		2020		2019		2018		Start of 2018
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	40.0	CRISIL BBB+/Stable		--	22-12-20	CRISIL BBB/Positive	01-03-19	CRISIL BBB/Stable		--	CRISIL BB+/Stable
			--		--	24-06-20	CRISIL BBB/Stable		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit	18	CRISIL BBB+/Stable	Cash Credit	15	CRISIL BBB/Positive
Proposed Long Term Bank Loan Facility	0.5	CRISIL BBB+/Stable	Proposed Cash Credit Limit	3	CRISIL BBB/Positive
Term Loan	21.5	CRISIL BBB+/Stable	Proposed Long Term Bank Loan Facility	0.5	CRISIL BBB/Positive
-	-	-	Term Loan	21.5	CRISIL BBB/Positive
Total	40	-	Total	40	-

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
Rating Criteria for Paper Industry
The Rating Process
Understanding CRISILs Ratings and Rating Scales
CRISILs Bank Loan Ratings

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