



Press Release
A B Polypacks Private Limited
February 27, 2024

Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25.60	ACUITE BBB- Reaffirmed & Withdrawn	-
Bank Loan Ratings	2.00	-	ACUITE A3 Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	27.60	-	-

Rating Rationale

Acuite has reaffirmed & Withdrawn the long-term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short term rating to **Acuite A3 (read as ACUITE A three)** on the Rs. 27.60 crore bank facilities of A B Polypacks Private Limited. The rating has been withdrawn on account of the request received from the company as per Acuite policy on withdrawal of ratings and NOC received from Bank of Baroda.

Rationale for Rating

The rating takes into cognizance the steady business risk profile of the company majorly driven by increase in revenue streams and a well-established customer base. The revenue from operations of the company increased to Rs. 175.78 Cr. in FY2023 compared to Rs. 116.79 Cr. in FY2022 on account of increase in the geographical reach and adding new customers.

The rating also factors in the moderate financial risk profile with comfortable capital structure and debt protection metrics. The liquidity position of the company is adequate, which is reflected in sufficient net cash accruals, minimal debt repayments and absence of debt funded capex plans. The rating also draws comfort from the established operations augmented by experienced management of the company. However, these strengths are partially offset by working capital intensive nature of operations, amid intense competition in packaging industry, exposure to volatility in input cost.

About the Company

Established in 2007, A B Polypacks Private Limited (ABPPL) is a Kolkata-based firm specializing in the production of flexible packaging materials, including multilayer film, shrink film, stretch film, laminated film, and pouches. Mr. Chinmay Kumar and Mr. Mrinmay Kumar are the promoters of ABPPL. Situated in Howrah (West Bengal), the company operates its manufacturing facility across an area of over one lakh square feet. ABPPL serves clientele across diverse sectors, including Coca Cola, PepsiCo, and Hindustan Unilever.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of ABPPL while arriving

at the rating.

Key Rating Drivers

Strengths

- **Experienced management with diversified product profile catering to reputed customer base across multiple industries**

Established in 2007, the company has been operational for more than fifteen years. The key promoters, Mr. Chinmay Kumar and Mr. Mrinmay Kumar have more than two decades of experience in business, their strong understanding of local market dynamics, and healthy relations with suppliers and customers should continue to support the business. Acuité derives comfort from the long experience of the management and believes this will benefit the company going forward, resulting in steady growth in the scale of operations.

The company has a diverse product profile encompassing plastic rigid sheets, a range of packaging items, containers of different sizes, and 100% food-grade cups and bottles. These products cater to diverse industries, primarily in the food and beverages sectors. The company maintains a diverse clientele, with the top four customers contributing approximately half of the revenue for the FY2023. Furthermore, in the FY2022-23, the company secured contracts with three new esteemed clients: Hindustan Coca-Cola-Beverages Pvt. Ltd., Hector Beverages Pvt. Ltd., and Global Aqua Pvt. Ltd., to supply packaging products. This diversified product range and esteemed customer base reduces the customer concentration risk.

- **Steady scale of operation**

The scale of operations of the company had witnessed improvement in FY2023 marked by increase in revenue of Rs.175.78 Cr in FY2023 as against Rs.116.79 Cr in FY2022. The top line has been growing at a year on year (y-o-y) of 50.50 per cent. The steady growth in revenue is driven by increase in the geographical reach and adding new customers. The company has achieved revenues of Rs. 100.53 Cr till October 2023(Provisional). Acuite believes that the revenue of the company will increase on account of additions in the clientele and increase in production volume, thus providing moderate revenue visibility over the medium term.

Furthermore, the operating margin of the company has increased marginally to 7.80 per cent in FY2023 as 7.49 per cent in FY2022. Despite the volatility in the operating margin over recent years due to fluctuations in raw material expenses, particularly stemming from the fluctuating prices of major raw materials like high-density polyethylene, low-density polyethylene, and polypropylene used in manufacturing industrial plastics—crude-oil derivatives—the company still maintains a competitive advantage over its peers. The PAT margin also increased to 3.21 per cent in FY 2023 as compared to 2.61 per cent in FY2022. The ROCE levels stood at about 20.23 per cent in FY2023.

Acuité believes the profitability margin of the company will remain at similar levels over the medium term.

- **Moderate financial risk profile**

The financial risk profile of the company is marked by moderate net worth, modest gearing and comfortable debt protection metrics. The tangible net worth of the company stood at Rs.23.52 Cr as on March 31, 2023 as compared to Rs.18.04 Cr as on March 31, 2022 due to accretion to reserves. The gearing of the company stood modest at 1.81 times as on 31 March 31, 2023. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 3.18 times as on March 31, 2023. The debt protection matrices of the company remain comfortable marked by Interest coverage ratio (ICR) of 3.64 times and debt service coverage ratio (DSCR) of 1.53 times for FY2023. The net cash accruals to total debt (NCA/TD) stood healthy at 0.21 times in FY2023.

Going forward, Acuité believes that going forward the financial risk profile will remain moderate over the medium term, supported by healthy internal accruals and absence of debt funded capex plans.

Weaknesses

- **Working capital intensive nature of operations**

The working capital intensive nature of operations of the company is marked by high albeit reduced Gross Current Assets (GCA) of 133 days for FY2023 as compared to 148 days for FY2022. The GCA days are mainly on account of high receivables days. The debtor days of the company stood at 74 days for FY2023 as against 71 days for FY2022. However, the inventory days of the company stood moderate at 47 days in FY2023 as compared to 62 days in FY2022. Further, the GCA days of the company has also emanates from the high other current asset, which mainly consists of other loans and advances and statutory deposits. Against this, the company has substantial dependence on its suppliers to support the working capital; creditors stood at 67 days as on March 31, 2023.

Acuité believes that the working capital operations of the company will remain at the similar levels over the medium term.

- **Intense competition in packaging industry**

The plastic packaging sector experiences significant fragmentation, leading to intense competition among various players, which could continue to limit the potential for expansion, pricing control, and profitability. The Indian flexible packaging industry, characterized by low capital requirements, minimal barriers to entry, and easy access to raw materials, remains highly fragmented. This intense competition exerts pressure on margins, reducing the bargaining power of players like ABPPL with their customers. Moreover, the fluctuating prices of plastic granules, a key raw material in packaging, directly impact operating margins. Acuité believes that the ability of the company to pass on such adverse impact to its customers remain a key sensitivity factor.

Rating Sensitivities

- Growth in revenue along with improvement in profitability margins
- Elongation in working capital cycle
- Improvement in capitals structure

Liquidity Position

Adequate

The company's liquidity is adequate marked by steady net cash accruals of Rs.8.90 Cr. as on March 31, 2023 as against Rs.4.37 Cr. long term debt obligations over the same period. The cash and bank balance stood at Rs. 2.00 Cr for FY 2023. However, the bank limit of the company has been ~97.00 percent utilized for the last six months ended in November 2023. The current ratio of the company stood low at 1.07 times in FY2023. Further, the working capital intensive nature of operations of the company is marked by high albeit Gross Current Assets (GCA) of 133 days for FY2023 as compared to 148 days for FY2022. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of comfortable cash accruals against long debt repayments over the medium term.

Outlook

Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	175.78	116.79
PAT	Rs. Cr.	5.48	3.05
PAT Margin	(%)	3.12	2.61
Total Debt/Tangible Net Worth	Times	1.81	1.78
PBDIT/Interest	Times	3.64	3.64

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
18 Dec 2023	Cash Credit	Long Term	12.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Not Applicable)
	Cash Credit	Long Term	13.60	ACUITE BBB- Stable (Assigned)
	Bank Guarantee (BLR)	Short Term	1.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Letter of Credit	Short Term	1.00	ACUITE A3 (Upgraded from ACUITE A4+)
21 Mar 2023	Bank Guarantee (BLR)	Short Term	0.80	ACUITE A4+ (Downgraded & Issuer not co-operating*)
	Letter of Credit	Short Term	1.00	ACUITE A4+ (Downgraded & Issuer not co-operating*)
	Term Loan	Long Term	1.70	ACUITE BB+ Not Applicable (Downgraded & Issuer not co-operating*)
	Cash Credit	Long Term	10.50	ACUITE BB+ Not Applicable (Downgraded & Issuer not co-operating*)
06 Jan 2022	Bank Guarantee/Letter of Guarantee	Short Term	0.80	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	1.00	ACUITE A3 (Reaffirmed)
	Term Loan	Long Term	1.70	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	10.50	ACUITE BBB- Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	ACUITE A3 Reaffirmed & Withdrawn
Bank of Baroda	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.60	ACUITE BBB- Reaffirmed & Withdrawn
Bank of Baroda	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	ACUITE A3 Reaffirmed & Withdrawn

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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