

Press Release

Kanpur Plastipack Limited

September 23, 2022

Rating Assigned and Reaffirmed



| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|---|------------------|---------------------------------|-------------------------|
| Bank Loan Ratings | 12.40 | - | ACUITE A2+ Assigned |
| Bank Loan Ratings | 244.49 | ACUITE A- Stable Reaffirmed | - |
| Bank Loan Ratings | 47.67 | - | ACUITE A2+ Reaffirmed |
| Bank Loan Ratings | 62.00 | ACUITE A- Stable Assigned | - |
| Total Outstanding Quantum (Rs. Cr) | 366.56 | - | - |
| Total Withdrawn Quantum (Rs. Cr) | 0.00 | - | - |

Rating Rationale

Acuite has reaffirmed and assigned the long term rating at "ACUITE A-"(read as ACUITE A minus) and the short term rating of "ACUITE A2+" (read as ACUITE A two plus) to the Rs. 366.56 crore bank facilities of Kanpur Plastipack Limited (KPPL). The outlook is 'Stable'.

Rationale for reaffirmation

The reaffirmation in rating takes into consideration the experienced management, track record of the company along with the growth in operating revenue of the company. Further the financial risk profile of the company though moderated remains in a comfortable range. The aforesaid factors are underpinned by decline in leverage profile on account of capex taken and the profitability is susceptible to raw material price fluctuations.

About the Company

Kanpur based, Kanpur Plastipack Limited was incorporated in July 1971 as a private limited company by Mr Mahesh Swarup Agarwal. The company is engaged in manufacturing and exporting of Flexible Intermediate Bulk Containers (FIBCs), PP Woven Fabrics and Multi Filament Yarn (MFY). The company has installed capacity 30,300 MT with additional 5000 MT added in FY2022. KPL is listed on BSE and NSE.

Analytical Approach

Acuite has considered the standalone financial and business risk profiles of KPPL to arrive at the rating.

Key Rating Drivers

Strengths

Experienced Management and established track record of operations

Incorporated in 1971, the company commenced its operations under the leadership of Mr. Mahesh Swarup Agarwal and thus, the company boasts a long track record of operations of five decades in the Packaging industry. KPPL started manufacturing high-density polyethylene woven fabric, sacks and plastic. Currently, the company is engaged in manufacturing and exporting of Flexible Intermediate Bulk Containers (FIBCs), PP Woven Fabrics and Multi Filament Yarn (MFY). Established presence of the company along with experienced management, has helped KPPL maintain a long relationship with its customers which has aided the company in maintaining healthy revenue. The key customers of the company include names like Pema Verpackung Gmbh, King Bag and Manufacturing amongst others with no major concentration in revenues. Acuité believes KPL will continue to benefit from its long track of operations, a strong presence of the company in the export market and the rich experience of the management over the medium term.

Operational Risk Profile

The company has registered sharp growth in the revenue from Rs 451.92 crores in FY21 to Rs.629.77 Crore in FY22 on an account of robust growth in exports and attracted new customers from USA. However The company has already achieved a top line of Rs. 144.74 Cr. in Q1FY23 and is on path to achieve the projected top line of Rs. 682 Cr.

Financial Risk Profile

The financial risk profile of the company is moderate with net-worth of Rs.179.04 Crore in FY22. Gearing level slightly increased at 1.02 times in FY22 against 1.01 in FY21 this is mainly due to higher utilisation of bank limits. Interest coverage ratio is around 4.37 times in FY22 against 6.81 in FY21. FY 21 being exceptional year wherein the profitability margins were higher resulting into better coverage ratios, however FY22 is better than FY20 and is expected to remain in the same range. The company reported healthy net cash accruals at Rs. 36.82 Crore in FY22. The financial risk profile of the company is in comfortable position along with DSCR in FY22 at 1.92 times. Acuite believes that interest coverage profile of the company will remain in comfortable position.

Weaknesses

Susceptibility of profitability margins to fluctuations in prices of raw material and foreign exchange fluctuation

The basic raw materials required by KPL are plastic granules which is crude oil derivative. The prices of the commodities are subject to volatility in line with those of global crude oil prices. Further, KPL exports ~72 per cent to Europe, USA and some Asian countries and on the other hand imports only ~5 per cent raw materials. Thus, it is exposed to adverse fluctuation in foreign currency exchange rates. However, KPL generally enters into forward covers which partially mitigate the forex risk.

Rating Sensitivities

- Sustained growth in operating performance along with improvement in profitability.
- Any deterioration in the working capital cycle leading to deterioration in financial risk profile and liquidity position

Material covenants

None.

Liquidity Position Adequate

The company has adequate long term liquidity marked by healthy net cash accruals to its maturing debt obligations. The average bank limit utilisation of fund based facility stood at an average of 50per cent in last 12 months and non-fund based facility at 32.98 per cent in the last 12 months. The company has generated the net cash accruals of Rs. 36.82 in FY22 against Rs.18.21 Crore of repayment obligations for the same period. The company has unencumbered cash balance of Rs.0.23 in FY22. Therefore, there are enough net cash accruals and unutilised limits are available to utilize more funds if required to support incremental requirements.

Outlook: Stable

Acuité believes that Kanpur Plastipack will maintain a 'Stable' outlook over the medium term on the back of its established track record of operations and experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in its revenues and profitability while maintaining its capacity utilization. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or further elongation in the working capital cycle.

Key Financials

| Particulars | Unit | FY 22 (Actual) | FY 21 (Actual) |
|-------------------------------|---------|----------------|----------------|
| Operating Income | Rs. Cr. | 626.77 | 451.92 |
| PAT | Rs. Cr. | 26.21 | 30.22 |
| PAT Margin | (%) | 4.18 | 6.69 |
| Total Debt/Tangible Net Worth | Times | 1.02 | 1.01 |
| PBDIT/Interest | Times | 4.37 | 6.81 |

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

None

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

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

| Date | Name of Instruments/Facilities | Term | Amount (Rs. Cr) | Rating/Outlook |
|----------------|--------------------------------|------------|-------------------------------|-------------------------------|
| 07 Oct 2021 | Cash Credit | Long Term | 6.00 | ACUITE A- Stable (Assigned) |
| | Bank Guarantee | Short Term | 11.00 | ACUITE A2+ (Assigned) |
| | Packing Credit | Long Term | 5.00 | ACUITE A- Stable (Assigned) |
| | Term Loan | Long Term | 43.30 | ACUITE A- Stable (Assigned) |
| | Term Loan | Long Term | 20.00 | ACUITE A- Stable (Assigned) |
| | Standby Line of Credit | Long Term | 20.00 | ACUITE A- Stable (Assigned) |
| | Proposed Bank Facility | Short Term | 12.00 | ACUITE A2+ (Assigned) |
| | Term Loan | Long Term | 32.86 | ACUITE A- Stable (Assigned) |
| | Letter of Credit | Short Term | 16.00 | ACUITE A2+ (Assigned) |
| | Proposed Bank Facility | Short Term | 6.00 | ACUITE A2+ (Assigned) |
| Packing Credit | Long Term | 120.00 | ACUITE A- Stable (Assigned) | |

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Quantum (Rs. Cr.) | Rating |
|---------------------|----------------|--------------------------------------|------------------|----------------|----------------|-------------------|---------------------------------|
| State Bank of India | Not Applicable | Bank Guarantee (BLR) | Not Applicable | Not Applicable | Not Applicable | 11.00 | ACUITE A2+ Reaffirmed |
| HDFC Bank Ltd | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | 6.00 | ACUITE A- Stable Reaffirmed |
| State Bank of India | Not Applicable | Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 16.00 | ACUITE A2+ Reaffirmed |
| Axis Bank | Not Applicable | PC/PCFC | Not Applicable | Not Applicable | Not Applicable | 5.00 | ACUITE A- Stable Reaffirmed |
| State Bank of India | Not Applicable | PC/PCFC | Not Applicable | Not Applicable | Not Applicable | 120.00 | ACUITE A- Stable Reaffirmed |
| Not Applicable | Not Applicable | Proposed Short Term Bank Facility | Not Applicable | Not Applicable | Not Applicable | 20.67 | ACUITE A2+ Reaffirmed |
| Not Applicable | Not Applicable | Proposed Short Term Bank Facility | Not Applicable | Not Applicable | Not Applicable | 12.40 | ACUITE A2+ Assigned |
| Not Applicable | Not Applicable | Proposed Working Capital Demand Loan | Not Applicable | Not Applicable | Not Applicable | 15.00 | ACUITE A- Stable Reaffirmed |
| State Bank of India | Not Applicable | Stand By Line of Credit | Not Applicable | Not Applicable | Not Applicable | 20.00 | ACUITE A- Stable Reaffirmed |
| State Bank of India | Not Applicable | Term Loan | Not available | Not available | Not available | 33.19 | ACUITE A- Stable Reaffirmed |
| HDFC Bank Ltd | Not Applicable | Term Loan | Not available | Not available | Not available | 25.72 | ACUITE A- Stable Reaffirmed |
| Axis Bank | Not Applicable | Term Loan | Not available | Not available | Not available | 19.58 | ACUITE A- Stable Reaffirmed |
| Axis Bank | Not Applicable | Term Loan | Not available | Not available | Not available | 10.00 | ACUITE A- Stable Assigned |
| HDFC Bank Ltd | Not Applicable | Term Loan | Not available | Not available | Not available | 10.00 | ACUITE A- Stable Assigned |
| State Bank of India | Not Applicable | Term Loan | Not available | Not available | Not available | 42.00 | ACUITE A- Stable Assigned |

Contacts

| Analytical | Rating Desk |
|---|--|
| Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in | Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in |
| Depanshi . Analyst-Rating Operations Tel: 022-49294065 depanshi.mittal@acuite.in | |

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.