



Press Release
Kanpur Plastipack Limited
August 20, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	306.49	ACUITE BBB+ Negative Reaffirmed	-
Bank Loan Ratings	60.07	-	ACUITE A2 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	366.56	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating to '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and its short-term rating to '**ACUITE A2**' (read as **ACUITE A two**) on the Rs.366.56 crore bank facilities of Kanpur Plastipack Limited (KPL). The outlook is '**Negative**'.

Rationale for reaffirmation of rating and outlook.

The reaffirmation in the rating and outlook takes note of the moderate improvement in the operating turnover in Q1FY2025 due to the full-fledged operations of CPP products. However, PAT margin has continued to report negative in Q1FY2025 due to increased interest and depreciation costs. The company reported operating income of Rs.132.21 Cr. in Q1FY2025 as against Rs.100.44 Cr. in Q1FY2024.

Going forward, the ability of the company to improve profitability margins while maintaining an adequate liquidity position and a healthy capital structure will remain key monitorable.

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 the manufacturing and exporting of flexible intermediate bulk containers (FIBCs), PP woven fabrics, and multifilament yarn (MFY). The company has an installed capacity of 30,300 MT, with an additional 5000 MT added in FY2022. KPL is listed on the BSE and NSE.

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced management and an 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 spanning five decades in the packaging industry. KPL started manufacturing high-density polyethylene woven fabric, sacks, and plastic. Currently, the company is engaged in the manufacturing and exporting of flexible intermediate bulk containers (FIBCs), PP woven fabrics, and multifilament yarn (MFY). Further, KPL started manufacturing cast polypropylene

from September 2023. The 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, among others, with no major concentration in revenues.

Acuité believes KPL will continue to benefit from its long track record of operations, its strong presence in the export market, and the rich experience of its management over the medium term.

Moderate financial risk profile albeit low debt protection metrics

The financial risk profile of the company is moderate, with moderate net worth, moderate gearing, and low debt protection metrics. The net worth of the company stood at Rs.179.92 crore as of March 31, 2024, compared to Rs.180.50 crore as of March 31, 2023. The total debt of the company stood at Rs.224.11 crore as of March 31, 2024, compared to Rs. 165.63 crore as of March 31, 2023. The gearing of the company is moderate, which stood at 1.25 times as of March 31, 2024, compared to 0.92 times as of March 31, 2023. The TOL/TNW ratio stood at 1.64 times as of March 31, 2024, against 1.26 times on March 31, 2023. The debt protection metrics deteriorated with interest coverage ratio at 1.83 times in FY2024 as against 2.14 times in FY2023 and debt service coverage ratio at 0.86 times in FY2024 and 0.91 times in FY23.

Acuite believes that the financial risk profile of the company may improve in the medium term as CPP project has commenced and company is not planning any other debt-financed capex plans in the near future.

Weaknesses

Moderation in operating performance.

The company achieved a turnover of Rs. 492.73 crore in FY2024, Rs. 474.68 crore in FY2023 as compared to Rs. 626.77 crore in FY2022. The company has shown a sharp decline in the top-line and bottom-line of business due to the absence of fabric sales in Brazil and a recession in the EU countries. In results, a lack of demand and a highly competitive market environment led to lower realisations. The EBITDA margins of the company stood at 3.92 percent in FY2024, 4.56 percent in FY2023 as against 9.71 percent in FY2022.

Acuite believes that in the medium term, the company may improve its operating performance as compared to FY2024 and FY2023 on account of a commencement of CPP project operations in September 2023.

Working capital-intensive nature

The working capital of the company is intensive, as marked by gross current asset days, which stood at 139 days as of March 31, 2024, compared to 114 days as of March 31, 2023. The increase in GCA days is on account of the increase in debtor and inventory days; debtor days stood at 38 days for FY2023 and stretched to 56 days for FY2024. Further, the inventory days of the company stood at 76 days for FY2024 as against 66 days for FY2023. On the other hand, the creditors of the company stood at 21 days for FY2024 against 17 days for FY2023.

Acuite believes that the working capital operations of KPL may continue to be intensive, considering the nature of the business.

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

The basic raw materials required by KPL are plastic granules, which are crude oil derivatives. The prices of the commodities are subject to volatility in line with those of global crude oil prices. Furthermore, KPL exports 70%-75% to Europe, the United States, and some Asian countries while importing only 5% of raw materials. Thus, it is exposed to adverse fluctuations in foreign currency exchange rates. However, KPL generally enters into forward contracts, which partially mitigate the forex risk.

Rating Sensitivities

- Improvement in scale of operations along with improvement in profitability levels.
- Any further elongation in working capital cycle leading to deterioration in the financial risk profile and liquidity position.
- Further deterioration in profitability levels.

Liquidity Position: Stretched

The liquidity profile of the company is stretched. The company generated net cash accruals of Rs.13.20 crore in FY2024 against a debt repayment obligation of Rs. 18.00 crore in the same period. However, the shortfall will be paid off through grants received from the government and sale of property of subsidiary company. In the coming years, the company is expected to generate enough net cash accruals to repay its debt obligations in the near term. The unencumbered cash and bank balance stood at Rs.2.74 crore in FY2024. Also, the current ratio of the company stood average at 1.04 times in FY2024.

Outlook: Negative

Acuité has maintained the 'Negative' outlook for Kanpur Plastipack which is driven by significant deterioration in the profitability margins in FY2023 and continuation in FY2024. The rating may be 'downgraded' if there is further deterioration in operating performance and profitability margins. The outlook may be revised to 'Stable ' if company is able to improve its profitability along with improving its working capital cycle and financial risk profile

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	492.73	476.85
PAT	Rs. Cr.	0.36	4.13
PAT Margin	(%)	0.07	0.87
Total Debt/Tangible Net Worth	Times	1.25	0.92
PBDIT/Interest	Times	1.83	2.14

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
06 Jun 2024	Stand By Line of Credit	Long Term	20.00	ACUITE BBB+ Negative (Reaffirmed (Stable to Negative))
	PC/PCFC	Long Term	120.00	ACUITE BBB+ Negative (Reaffirmed (Stable to Negative))
	Cash Credit	Long Term	6.00	ACUITE BBB+ Negative (Reaffirmed (Stable to Negative))
	PC/PCFC	Long Term	5.00	ACUITE BBB+ Negative (Reaffirmed (Stable to Negative))
	Term Loan	Long Term	75.19	ACUITE BBB+ Negative (Reaffirmed (Stable to Negative))
	Term Loan	Long Term	35.72	ACUITE BBB+ Negative (Reaffirmed (Stable to Negative))
	Term Loan	Long Term	29.58	ACUITE BBB+ Negative (Reaffirmed (Stable to Negative))
	Proposed Working Capital Demand Loan	Long Term	15.00	ACUITE BBB+ Negative (Reaffirmed (Stable to Negative))
	Bank Guarantee (BLR)	Short Term	11.00	ACUITE A2 (Reaffirmed)
	Letter of Credit	Short Term	16.00	ACUITE A2 (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	33.07	ACUITE A2 (Reaffirmed)
06 Jun 2023	Stand By Line of Credit	Long Term	20.00	ACUITE BBB+ Stable (Downgraded from ACUITE A- Stable)
	PC/PCFC	Long Term	120.00	ACUITE BBB+ Stable (Downgraded from ACUITE A- Stable)
	Cash Credit	Long Term	6.00	ACUITE BBB+ Stable (Downgraded from ACUITE A- Stable)
	PC/PCFC	Long Term	5.00	ACUITE BBB+ Stable (Downgraded from ACUITE A- Stable)
	Term Loan	Long Term	33.19	ACUITE BBB+ Stable (Downgraded from ACUITE A- Stable)
	Term Loan	Long Term	42.00	ACUITE BBB+ Stable (Downgraded from ACUITE A- Stable)
	Term Loan	Long Term	25.72	ACUITE BBB+ Stable (Downgraded from ACUITE A- Stable)
	Term Loan	Long Term	10.00	ACUITE BBB+ Stable (Downgraded from ACUITE A- Stable)
	Term Loan	Long Term	19.58	ACUITE BBB+ Stable (Downgraded from ACUITE A- Stable)
	Term Loan	Long Term	10.00	ACUITE BBB+ Stable (Downgraded from ACUITE A- Stable)
	Proposed Working Capital Demand Loan	Long Term	15.00	ACUITE BBB+ Stable (Downgraded from ACUITE A- Stable)
	Bank Guarantee (BLR)	Short Term	11.00	ACUITE A2 (Downgraded from ACUITE A2+)
	Letter of Credit	Short Term	16.00	ACUITE A2 (Downgraded from ACUITE A2+)
	Proposed Short Term Bank Facility	Short Term	12.40	ACUITE A2 (Downgraded from ACUITE A2+)
	Proposed Short Term Bank Facility	Short Term	20.67	ACUITE A2 (Downgraded from ACUITE A2+)
		Long		

23 Sep 2022	Stand By Line of Credit	Term	20.00	ACUITE A- Stable (Reaffirmed)
	PC/PCFC	Long Term	120.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE A- Stable (Reaffirmed)
	PC/PCFC	Long Term	5.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	33.19	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	42.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	25.72	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	10.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	19.58	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	10.00	ACUITE A- Stable (Assigned)
	Proposed Working Capital Demand Loan	Long Term	15.00	ACUITE A- Stable (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	11.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	16.00	ACUITE A2+ (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	12.40	ACUITE A2+ (Assigned)
	Proposed Short Term Bank Facility	Short Term	20.67	ACUITE A2+ (Reaffirmed)
07 Oct 2021	PC/PCFC	Long Term	5.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	20.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	6.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	32.86	ACUITE A- Stable (Assigned)
	PC/PCFC	Long Term	120.00	ACUITE A- Stable (Assigned)
	Stand By Line of Credit	Long Term	20.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	26.30	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	17.00	ACUITE A- Stable (Assigned)
	Proposed Short Term Bank Facility	Short Term	6.00	ACUITE A2+ (Assigned)
	Proposed Short Term Bank Facility	Short Term	12.00	ACUITE A2+ (Assigned)
	Bank Guarantee (BLR)	Short Term	11.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	8.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	8.00	ACUITE A2+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	11.00	ACUITE A2 Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.00	ACUITE BBB+ Negative Reaffirmed
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	16.00	ACUITE A2 Reaffirmed
Axis Bank	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE BBB+ Negative Reaffirmed
State Bank of India	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	120.00	ACUITE BBB+ Negative Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	33.07	ACUITE A2 Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Working Capital Demand Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE BBB+ Negative Reaffirmed
State Bank of India	Not avl. / Not appl.	Stand By Line of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE BBB+ Negative Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	75.19	ACUITE BBB+ Negative Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	35.72	ACUITE BBB+ Negative Reaffirmed
Axis Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	29.58	ACUITE BBB+ Negative Reaffirmed

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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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