



Press Release
Kanpur Plastipack Limited
September 26, 2024
Rating Downgraded and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	27.63	ACUITE BBB Downgraded & Withdrawn	-
Bank Loan Ratings	263.00	ACUITE BBB Stable Downgraded Negative to Stable	-
Bank Loan Ratings	15.00	Not Applicable Withdrawn	-
Bank Loan Ratings	42.00	-	ACUITE A3+ Downgraded
Bank Loan Ratings	18.93	-	Not Applicable Withdrawn
Total Outstanding Quantum (Rs. Cr)	305.00	-	-
Total Withdrawn Quantum (Rs. Cr)	61.56	-	-

Rating Rationale

Acuite has downgraded its long-term rating to '**ACUITE BBB**' (read as **ACUITE triple B**) from '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and short term rating to '**ACUITE A3+**' (read as **ACUITE A three plus**) from '**ACUITE A2**' (read as **ACUITE A two**) on Rs.305.00 Cr. of bank facilities of Kanpur Plastipack Limited (KPL). The outlook is changed to '**Stable**' from '**Negative**'.

Acuite has downgraded and withdrawn its long-term rating to '**ACUITE BBB**' (read as **ACUITE triple B**) from '**ACUITE BBB+**' (read as **ACUITE triple B plus**) on Rs.27.63 Cr. bank facilities of Kanpur Plastipack Limited (KPL).

Acuite has also withdrawn the long-term and short-term rating on the Rs.33.93 Cr. of bank facilities of Kanpur Plastipack Limited (KPL) without assigning any rating, as the instruments are proposed facilities and stand no outstanding obligations to the company. The rating is being withdrawn on account of the request received from the company, changes in the sanctioned limits, reduction in the term loans and proposed facilities which as per Acuite's policy on withdrawal of ratings as applicable to the respective facility/instrument.

Rationale for downgrade and revision in outlook

The rating downgrade and revision in outlook takes into account of negative operating PBT

reported during the last three consecutive quarters, primarily led by increase in interest and depreciation cost on account of delays in completion of CPP project. Further, the debt protection indicators remained below average with debt service coverage ratio (DSCR) under unity and high debt to EBITDA at 7.30 times as on March 31, 2024 and expected to remain below average for the current year. The FY2024 net cash accruals would tightly match the current year's debt repayment obligations. However, the issue of Rs.20.50Cr warrants is expected to provide liquidity comfort.

Going forward, KPL's ability in improving the operational efficiency and net cash accruals will be a key rating 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. Further, the company started manufacturing of CPP (Cast Polypropylene Film) in September 2023 with installed capacity of 6500 MT. 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, Saccheria Franceschetti 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.

Moderately intensive working capital management

The working capital management of the company is moderately intensive in nature, as marked by gross current asset days, which stood at 137 days in FY2024 as compared to 111 days in FY2023. The increase in GCA days is on account of a moderate increase in debtor and inventory days. The debtors of the company stood at 54 days in FY2024 as against 37 days in FY2023. The increase in debtors is due to the introduction of CPP product and major sales booked in March 2024. However, 90 percent of debtors aging is less than 30 days. The inventory days stood at 77 days in FY2024 as against 67 days in FY2023. Working capital requirements are moderately supported by its creditors, with creditor days in range of 15–25 days for the last three years ended in FY2024.

The bank limit utilisation for fund-based limits of the company stood at moderate at 69.66 percent and non-fund-based limits stood low at 15.15 percent for the last 12 months ended July 2024.

Acuité believes that the working capital management of the company will improve to be efficient over the medium term owing to the stabilisation of manufacturing of CPP product.

Weaknesses

Moderation in scale of operations

The company achieved a turnover of Rs. 496.37 Cr. in FY2024, Rs. 476.90 Cr. in FY2023 as compared to Rs. 626.77 Cr. in FY2022. The company has shown a sharp decline in the top-line and bottom-line of business due to the geopolitical tensions, increased competition within the country, absence of fabric sales in Brazil and volatility in the global market. However, KPL has expanded its geographical locations to the Japanese market, which will further open new avenues going forward. The company has reported turnover of Rs.132.21 Cr. in Q1FY2025.

The operating margins of the company stood at 5.88 percent in FY2024 and 5.19 percent in FY2023 as against 9.71 percent in FY2022. The operating margins are affected due to lower

realisations in sales of fabric, an increase in freight charges due to the Red Sea crisis and an increase in domestic competition. Further, in spite of the establishment of a new vertical i.e CPP product, performance in the CPP division was sluggish, leading to lower than expected realisation and underutilisation of the capacity. The company reported an operating margin of 2.28 percent for Q1FY2025.

Acuite believes that the scale of operations of the company will improve over the medium term owing to stabilisation of CPP product and ease of global markets. Further, KPL has entered into two agreements for the purchase of an additional solar power total of 4MW which will aid in the improvement in the operating margins in FY2025. Going forward, the ability of the company to improve its operating margins is key monitorable.

Below -average financial risk profile.

The financial risk profile of the company is below-average marked by below unity DSCR, deteriorated Debt/EBITDA and weak debt protection metrics.

The Debt/EBITDA of the company stood at 7.30 times as on March 31, 2024 as against 6.33 times as on March 31, 2023. The debt protection metrics of the company are average, marked by the Interest Coverage Ratio (ICR) at 1.83 times as on March 31, 2024 as against 2.14 times as on March 31, 2023. Further, the Debt Service Coverage Ratio (DSCR) stood below unity with 0.92 times as on March 31, 2024. However, the infusion of capital in the form of warrants in FY2025 will aid in the improvement of cash flows.

The tangible net worth of the company stood at Rs.179.91 Cr. as on March 31, 2024 from Rs.180.51 Cr. as on March 31, 2023. A decrease in the net worth is due to the issue of a final dividend of Rs.1.07 Cr. in FY2024. Gearing of the company moderately deteriorated and stood at 1.25 times as on March 31, 2024 as compared to 0.92 times as on March 31, 2023. The total debt stood at Rs.224.11 Cr. as on March 31, 2024 consists of long term debt of Rs.84.49 Cr, Short term debt of Rs.118.63 Cr, and CPLTD of Rs.20.99 Cr.

Acuite believes that going forward, the financial risk profile of the group will improve on account of improving cash accruals, the issue of warrants and the absence of debt funded CAPEX planned over the medium term.

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 elongation in working capital cycle leading to further deterioration in the financial risk profile and liquidity position.
- Further deterioration in profitability levels.

Liquidity Position: Stretched

The company's liquidity position is stretched, marked by insufficient net cash accruals against its debt obligations. The NCA stood at Rs.13.20 Cr. as on March 31, 2024 as against long term debt repayment of Rs.15.94 Cr. over the same period. However, there are no delays in the repayment of the debt obligations by the company. Further, the net cash accruals are estimated to remain at a range of Rs.14.53 – 23.82 Cr in FY2025 and FY2026 as against CPLTD in the range of Rs.20.00-21.00 Cr. for the same period. With the issuance of warrants and sale of land of subsidiary company, KPL will be able to repay the debt obligations over the medium term.

The current ratio of the company is moderate at 1.03 times as on March 31, 2024. Furthermore, unencumbered cash and bank balances stood at Rs.1.42 Cr. and liquid investments at Rs.9.60 Cr. as on March 31, 2024.

Acuite believes that going forward the group will maintain an adequate liquidity position due

to accruals and expected cashflows.

Outlook: Stable

Acuité has revised the outlook on KPL to 'Stable' based experienced management and an established track record of operations and moderately intensive working capital management. The outlook may be revised to 'Positive' in case of significant improvement in scale of operations and financial risk profile of the company. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in operating performances or any significant stretch in its working capital management leading to deterioration of its financial risk profile and liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	496.37	476.90
PAT	Rs. Cr.	0.36	4.14
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
20 Aug 2024	Cash Credit	Long Term	6.00	ACUITE BBB+ Negative (Reaffirmed)
	PC/PCFC	Long Term	5.00	ACUITE BBB+ Negative (Reaffirmed)
	Term Loan	Long Term	35.72	ACUITE BBB+ Negative (Reaffirmed)
	Stand By Line of Credit	Long Term	20.00	ACUITE BBB+ Negative (Reaffirmed)
	PC/PCFC	Long Term	120.00	ACUITE BBB+ Negative (Reaffirmed)
	Term Loan	Long Term	75.19	ACUITE BBB+ Negative (Reaffirmed)
	Term Loan	Long Term	29.58	ACUITE BBB+ Negative (Reaffirmed)
	Proposed Working Capital Demand Loan	Long Term	15.00	ACUITE BBB+ Negative (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	33.07	ACUITE A2 (Reaffirmed)
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)
	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		ACUITE BBB+ Stable (Downgraded

06 Jun 2023	Stand By Line of Credit	Term	20.00	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)
23 Sep 2022	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)
	Stand By Line of Credit	Long 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)
	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)

07 Oct 2021	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 A3+ Downgraded (from ACUITE A2)
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 Stable Downgraded Negative to Stable (from ACUITE BBB+)
State Bank of India	Not avl. / Not appl.	Forward Contracts	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	12.00	ACUITE A3+ Downgraded (from ACUITE A2)
Axis Bank	Not avl. / Not appl.	Forward Contracts	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE A3+ Downgraded (from ACUITE A2)
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 A3+ Downgraded (from ACUITE A2)
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 Stable Downgraded Negative to Stable (from ACUITE BBB+)
State Bank of India	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	110.00	ACUITE BBB Stable Downgraded Negative to Stable (from ACUITE BBB+)
State Bank of India	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BBB Downgraded & Withdrawn (from ACUITE BBB+)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	24.09	ACUITE BBB Stable Downgraded Negative to Stable (from ACUITE BBB+)
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	18.93	Not Applicable Withdrawn
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	Not Applicable Withdrawn
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 Stable Downgraded Negative to Stable (from ACUITE BBB+)
HDFC Bank Ltd	Not avl. / Not	Term Loan	Not avl. / Not appl.	Not avl. / Not	01 Jul 2028	Simple	4.12	ACUITE BBB Stable Downgraded Negative to Stable (

	appl.			appl.				from ACUITE BBB+)
Axis Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Jan 2030	Simple	36.23	ACUITE BBB Stable Downgraded Negative to Stable (from ACUITE BBB+)
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Sep 2029	Simple	57.56	ACUITE BBB Stable Downgraded Negative to Stable (from ACUITE BBB+)
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Sep 2029	Simple	17.63	ACUITE BBB Downgraded & Withdrawn (from ACUITE BBB+)

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Thejaswini P V Manager-Rating Operations Tel: 022-49294065 thejaswini.pv@acuite.in	Varsha Bist Associate Vice President-Rating Administration Tel: 022-49294011 rating.desk@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.

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