



Press Release
KAMAKSHI SUEDPACK PRIVATE LIMITED (EARSTWHILE KAMAKSHI FLEXIPRINTS PRIVATE LIMITED)
September 17, 2024
Rating Downgraded

Product	Quantum (Rs.Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	93.95	ACUITE B+ Stable Downgraded	-
Bank Loan Ratings	7.05	-	ACUITE A4 Downgraded
Total Outstanding Quantum (Rs. Cr)	101.00	-	-

Rating Rationale

Acuite has downgraded the long-term rating to '**ACUITE B+**' (read as **ACUITE B plus**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) and the short-term rating to '**ACUITE A4**' (read as **ACUITE A four**) from '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 101 crore bank facilities of Kamakshi Suedpack Private Limited (Erstwhile Kamakshi Flexiprints Private Limited) (KSPL). The outlook is '**Stable**'.

Rationale for Rating

The rating downgrade reflects deterioration in the operating performance, weak financial risk profile, and stretch in liquidity position of the company. KSPL incurred losses at operating level which stood at (25.18)% in FY2024(Prov.) against (18.71)% in FY2023, thereby leading to PAT losses. The reason for the operating loss is the lower absorption of fixed costs due to subdued capacity utilisation and increase in employee costs. The losses incurred have led to deterioration in the networth position and overall financial risk profile. The company's networth stood at Rs. 26.45 Cr. as of March 31, 2024(Prov.) against Rs. 68.91 Cr. as of March 31, 2023. Further, the debt coverage indicators stood poor due to negative EBITDA. Furthermore, it has led to a stretched liquidity position, as in absence of sufficient accruals generation, the company's reliance on funds infused by Suedpack (German Co. having 46.63% shareholding) to meet the maturing repayment obligations has increased. The rating is also constrained due to moderately intensive nature of working capital operations of the company.

Going ahead, the ability of the company to increase its scale of operations and become profitable, leading to improvement in financial risk profile and liquidity position will remain a key rating monitorable.

About the Company

Incorporated in 1994, Ahmedabad based Kamakshi Suedpack Private Limited is engaged in reverse printing of bi-axially oriented polypropylene (BOPP)/ polyethylene (PE)/polyethylene terephthalate (PET) films as well as manufacturing of co-extruded three-layer films and various types of flexible pouches and bags. KSPL's current product portfolio includes stand-up pouches, sealed pouches, vacuum pouches, zipper pouches, patch handle bags, sealed bags etc. which find application across various industry segments like packaged food, confectionary, grain packaging, pharmaceuticals and fertilizers. KSPL has its sole manufacturing facility located in Ahmedabad, Gujarat. KSPL is currently promoted by SHG, Mr. Harish Goel and Mr. Narendra Dhupar, among others.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of KFPL while arriving at the rating.

Key Rating Drivers

Strengths

Association with Suedpack Holdings GmbH, extensive experience of the promoters and established track record in the industry

KSPL is an Ahmedabad-based company, which was incorporated in July 1994. In 2019 the company tied up with a German flexible packaging manufacturer – Suedpack Holdings GmbH (SHG). Post tie-up with SHG, Mr. Tharcisse Michel Carl has been appointed on the board of KSPL as a representative from SHG. SHG's stake in KFPL is 46.63% in FY2024. The tie-up with SHG has aided KFPL augment its capacity, product profile and shall give them access to newer overseas market such as Europe. Further, Suedpack has plan to fully takeover the company and hold 100% stake in KSPL, which is tentatively expected in July'2026.

The revenue of the company increased to Rs.90.89 Cr. in FY2024 (Prov.) from Rs.73.37 Cr. in FY2023. The increase in revenue is on account of commencement of operations in new plant which has increased the production capacity to 18,472 MTPA from 3,500 MTPA. However, the project was completed with a delay of 1 year and commenced commercial operations from June FY2023.

Further, the company continued to incur losses at operating level since FY2023. The loss margins at operating level increased to (25.18)% in FY2024(Prov.) against (18.71)% in FY2023. The increase in losses at operating level are attributed to low-capacity utilisation which stood at 28% for FY2024(Prov.) against 22% for FY2023, thereby limiting the absorption of fixed costs. Particularly the employee cost increased by ~38% in FY2024(Prov.) as the company onboarded several key personnel at the senior level management. Further, the net loss margins stood at (46.64)% in FY2024 (Prov.) against (26.46)% in FY2023.

The company expects operating level losses to continue in FY25 as well, however would turn profitable by FY26 onwards on the back of increased capacity utilization.

Acuité believes the company shall continue to benefit from experienced management, association with Seudpack Holdings GmbH and established relationships with customers and suppliers.

Weaknesses

Weak Financial Risk Profile

The financial risk profile of KSPL is weak, marked by low net worth, high gearing, and poor debt protection metrics. The tangible net worth of the company declined significantly on account of net losses being incurred since FY2023. It stood at Rs. 26.45 Cr. as of March 31, 2024(Prov.), compared to Rs. 68.91 Cr. as of March 31, 2023. The total debt is Rs. 187.17 Cr. as of March 31, 2024(Prov.), which consists of long-term debt of Rs. 45.06 Cr., short-term debt of Rs. 17.88 Cr. and USL of Rs. 106.87 Cr., which is in form ECB from Suedpack. Also Suedpack has invested Rs. 4 million euro in April'2024. Further, Suedpack will invest additional Rs. 2.8 million euro in form of ECB in October'2025 to support the operations and repayment obligations of the company.

The gearing stood at 7.08 times as of March 31, 2024(Prov.), against 1.89 times as of March 31, 2023. The high gearing is attributed to increase in the debt level and decline in networth. The TOL/TNW stood at 7.55 times as of March 31, 2024(Prov.), compared to 2.28 times as of March 31, 2023. The debt protection metrics of Interest Coverage Ratio (ICR) stood poor at (2.03) times in FY2024 (Prov.) against (2.39) times in FY2023 and Debt Service Coverage Ratio (DSCR) stood at (1.09) times in FY2024 (Prov.) against (0.59) times in FY2023.

Going forward, the ability of the company to improve its financial risk profile will remain key monitorable.

Moderately Intensive nature of working capital operation

KSPL's working capital operations are moderately intensive marked by the high Gross Current Asset days (GCA) of 209 days in FY2024 (Prov.) against 235 days in FY2023. The inventory days

stood at 45 days in FY2024 (Prov.) and 64 days in FY2023. The debtors' days stood at 104 days in FY2024 (Prov.) against 106 days in FY2023. The company provides credit period in the range of 45-90 days to its customers. The creditors' days stood at 42 days in FY2024 (Prov.) against 96 days in FY2023. The company enjoys a credit period of 30-40 days from its suppliers. Acuite believes that working capital operations of the company will continue to remain in similar range over the medium term.

Susceptibility of margins to fluctuations in the oil prices

KSPL's primary raw material is derivative of crude oil. Any adverse movement in oil prices or forex rates will directly affect the KSPL's margins as the production costs will rise without corresponding increase in the revenues.

Highly competitive and fragmented industry

The company operates in a highly competitive and fragmented packaging industry characterized by a large number of unorganized players. This limits the pricing power of the company putting pressure on profitability.

Acuite believes that the highly fragmented and competitive industry will remain a key concern for the Company going ahead.

Rating Sensitivities

- Improvement in scale of operation while improving the profitability margin.
- Improvement in financial risk and net cash accruals.
- Elongation in working capital cycle resulting in stretched liquidity.

Liquidity Position

Stretched

KSPL's liquidity position is stretched, as reflected by generation of insufficient cash accruals against repayment obligations. Going ahead, the company is expected to continue to incur EBITDA level loss, thereby generating insufficient cash accruals to repay its debt obligations in the near term. However, infusion of funds from Suedpack is expected to support the repayment obligations. Further, the working capital operations of the company are moderately intensive in nature marked by GCA days of 209 in FY2024 (Prov.). The reliance on working capital limits is moderate, with average utilisation at 68% over the last 15 months ending July 2024.

The current ratio stood average at 0.94 times as of March 31, 2024(Prov.). Unencumbered cash and bank balances stood at Rs 0.81 Cr. as of March 31, 2024(Prov.).

Going ahead, ability of the company to generate sufficient accruals to meet its repayment obligations will remain key monitorable.

Outlook: Stable

Acuite believes that KSPL outlook will remain 'Stable' over the medium term backed by long track record of operations along with experienced management. The outlook may be revised to 'Positive' in case the company registers higher than-expected growth in its revenue and profitability while restricting significant elongations in working capital cycle and improving the financial risk profile and liquidity position. 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 business or financial risk profile or significant elongation in working capital cycle leading to stretch in liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	90.89	73.37
PAT	Rs. Cr.	(42.39)	(19.42)
PAT Margin	(%)	(46.64)	(26.46)
Total Debt/Tangible Net Worth	Times	7.08	1.89
PBDIT/Interest	Times	(2.03)	(2.39)

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 Sep 2023	Term Loan	Long Term	22.50	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Negative)
	Cash Credit	Long Term	2.50	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Negative)
	Term Loan	Long Term	7.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Negative)
	Cash Credit	Long Term	8.50	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Negative)
	Cash Credit	Long Term	8.50	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Negative)
	Term Loan	Long Term	20.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Negative)
	Cash Credit	Long Term	2.50	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Negative)
	Term Loan	Long Term	22.50	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Negative)
	Term Loan	Long Term	2.45	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Negative)
	PC/PCFC	Short Term	3.00	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A3)
	Letter of Credit	Short Term	1.50	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A3)
	Proposed Short Term Bank Facility	Short Term	0.05	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A3)
22 Jun 2022	Term Loan	Long Term	2.45	ACUITE BBB- Negative (Reaffirmed)
	Term Loan	Long Term	22.50	ACUITE BBB- Negative (Reaffirmed)
	Cash Credit	Long Term	2.50	ACUITE BBB- Negative (Reaffirmed)
	Term Loan	Long Term	20.00	ACUITE BBB- Negative (Reaffirmed)
	Cash Credit	Long Term	8.50	ACUITE BBB- Negative (Reaffirmed)
	Cash Credit	Long Term	8.50	ACUITE BBB- Negative (Reaffirmed)
	Term Loan	Long Term	7.00	ACUITE BBB- Negative (Reaffirmed)
	Cash Credit	Long Term	2.50	ACUITE BBB- Negative (Reaffirmed)
	Term Loan	Long Term	22.50	ACUITE BBB- Negative (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	0.05	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	1.50	ACUITE A3 (Reaffirmed)
	PC/PCFC	Short Term	3.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	1.50	ACUITE A3 (Assigned)
	PC/PCFC	Short Term	3.00	ACUITE A3 (Assigned)
	Proposed Short Term	Short		

20 Apr 2021	Bank Facility	Term	2.50	ACUITE A3 (Assigned)
	Cash Credit	Long Term	2.50	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	8.50	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	8.50	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	2.50	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	22.50	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	7.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	20.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	22.50	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.50	ACUITE A4 Downgraded (from ACUITE A4+)
Bank of Baroda	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.50	ACUITE B+ Stable Downgraded (from ACUITE BB+)
Yes Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.50	ACUITE B+ Stable Downgraded (from ACUITE BB+)
Indusind Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.50	ACUITE B+ Stable Downgraded (from ACUITE BB+)
Bank of Baroda	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.50	ACUITE A4 Downgraded (from ACUITE A4+)
Bank of Baroda	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE A4 Downgraded (from ACUITE A4+)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.55	ACUITE B+ Stable Downgraded (from ACUITE BB+)
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.05	ACUITE A4 Downgraded (from ACUITE A4+)
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Apr 2030	Simple	22.50	ACUITE B+ Stable Downgraded (from ACUITE BB+)
Bank of Baroda	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Nov 2029	Simple	7.00	ACUITE B+ Stable Downgraded (from ACUITE BB+)
Indusind Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Jun 2029	Simple	22.50	ACUITE B+ Stable Downgraded (from ACUITE BB+)
	Not							ACUITE B+

Yes Bank Ltd	avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Nov 2029	Simple	22.50	Stable Downgraded (from ACUITE BB+)
Bank of Baroda	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Aug 2025	Simple	2.40	ACUITE B+ Stable Downgraded (from ACUITE BB+)

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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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