



**Press Release**  
**MAHALAXMI POLYPACK PRIVATE LIMITED**  
**October 15, 2024**  
**Rating Assigned**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	65.00	ACUITE BBB-   Stable   Assigned	-
Bank Loan Ratings	10.00	-	ACUITE A3   Assigned
Total Outstanding Quantum (Rs. Cr)	75.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

ACUITE has assigned its long term rating of 'ACUITE BBB-' (read as ACUITE triple B minus) on the long term bank facilities of Rs.65.00 Crore and short term rating of 'ACUITE A3' (read as ACUITE A three) on the short term bank facilities of Rs.10.00 Crore of Mahalaxmi Polypack Private Limited (MPPL). The outlook is 'Stable'.

**Rationale for Rating**

The rating factors in the experience management and established track record of operations since last three decades in the same industry. Further, the company has shown revival in the scale of operations which stood at Rs.382.03 Crore in FY24 against Rs.309.44 Crore in FY23 and Rs.342.59 Crore in FY22. In addition, the financial risk profile of the company is moderate marked by gearing of the company which stood at 1.01 times as on 31<sup>st</sup> March 2024 and DSCR stood below unity which stood at 0.85 times as on 31<sup>st</sup> March 2024 against 0.12 times as on 31<sup>st</sup> March 2023. The company has made prepayments in last two years out of the capital subsidy received of Rs.4.86 Crore and the positive cash flow from operations incurred in FY23. The above mentioned strengths are partly off-set by the moderately intensive working marked by GCA days which stood at 111 days in FY24 against 103 days in FY23 and volatility in raw material prices will remain a key sensitive factor in near to medium term.

**About the Company**

Incorporated in 2005, Mahalaxmi Polypack Private Limited is engaged in manufacturing of PP/HDPE woven sack fabric/bags and FMB/Polymer Compound/ Colour master Batch/Yarn. The registered office in New Delhi. The directors include Mr. Deenanath Khandelwal, Mr. Kuldeep Khandelwal and Mr. Abhishek Khandelwal.

**Unsupported Rating**

Not applicable.

### **Analytical Approach**

Acuite has considered the standalone financial and business risk profiles of Mahalaxmi Polypack Private Limited to arrive at the rating.

### **Key Rating Drivers**

#### **Strengths**

##### **Experience management and established track record of operations**

The company started its operations in the year 2007 and has a long track record of operations. Over the years, it has been able to successfully establish itself as a leading woven bag and fabric manufacturer with the help of experienced management. Further, the company benefits from the long-term experience of the promoters in this industry including key promoters who are Mr. Deenanath Khandelwal and Mr. Kuldeep Khandelwal and have more than three decades of experience in this field and oversee the overall operations of the company. They are

supported by Mr Shreekant Khandelwal, President and a team of professionals having average experience of more than 2 decades. Acuite believes that the long track record of business has enabled in developing established customer and supplier network.

### **Improvement in the scale of operations**

The company witnessed a revenue of Rs.382.03 Crore in FY24 against Rs.309.44 Crore in FY23. The improvement has been shown in FY24 against FY23 due to shift in focus from government orders to private orders, which are recurring in nature. In addition, the company has made losses in FY23 on an account of state government department cancelling the order and the company had to dispose these at very low prices. Further, the EBITDA margins of the company stood at 2.89% in FY24 against (0.72%) in FY23 and the PAT margins of the company stood at 0.37% in FY24 against (3.08%) in FY23. In addition, the company has an order book of Rs.292 Crore which are expected to be executed by the end of the current financial year. Going forward, the company is expected to showcase an increase in the scale of operations along with stable margins.

### **Moderate financial Risk Profile**

The financial risk profile of the company is moderate marked by net-worth of Rs.62.09 Crore as on 31<sup>st</sup> March 2024 against Rs.60.79 Crore as on 31<sup>st</sup> March 2023. The increase in the net-worth has shown on an account of accumulation of profits into reserves. Further, the total debt of the company stood at Rs.62.79 Crore as on 31<sup>st</sup> March 2024 against Rs.61.04 Crore as on 31<sup>st</sup> March 2023 and the capital structure marked by moderate gearing which stood at 1.01 times as on 31<sup>st</sup> March 2024 against 1.00 times as on 31<sup>st</sup> March 2023. The coverage indicators of the company are average reflected by interest coverage ratio and debt service coverage ratio which stood at 2.09 times and 0.85 times respectively as on 31<sup>st</sup> March 2024 against (0.31)times and 0.21 times respectively as on 31<sup>st</sup> March 2023. Despite lower DSCR in the current financial year, the company was able to make pre-payments in last two years, backed by the capital subsidy received of Rs.4.86 Crore and positive cash flow from operations of Rs.31.00 Crore approximately in FY23. The TOL/TNW ratio of the company stood at 1.43 times as on 31<sup>st</sup> March 2024 against 1.12 times as on 31<sup>st</sup> March 2023. Going forward, Acuite believes that the financial risk profile of the company is likely to improve near to medium term in the absence of debt funded capex in near to medium term.

### **Weaknesses**

#### **Working Capital Intensive Operations**

The working capital operations of the company is intensive marked by GCA days which stood at 111 days as on 31<sup>st</sup> March 2024 against 103 days as on 31<sup>st</sup> March 2023. The GCA days are higher on an account of debtor days which stood at 57 days as on 31<sup>st</sup> March 2024 against 53 days as on 31<sup>st</sup> March 2023. Further, the inventory days of the company stood at 38 days as on 31<sup>st</sup> March 2024 against 44 days as on 31<sup>st</sup> March 2023. On the other hand, the creditor days of the company stood at 27 days as on 31<sup>st</sup> March 2024 against 11 days as on 31<sup>st</sup> March 2023. Going forward, the working capital operations of the company is expected to improve in near to medium term.

#### **Exposed to Volatility in the raw material prices fluctuations and foreign exchange fluctuations**

The company faces several weaknesses in the manufacturing of PP/HDPE woven sack fabric, bags, FMB, polymer compounds, colour masterbatch, and yarn, including a heavy dependency on fluctuating raw material prices, intense competition that pressures profit margins, and the need for constant technological upgrades to stay relevant. Additionally, stricter environmental regulations could increase operational costs, while supply chain vulnerabilities and labour shortages may disrupt production. Further, it is exposed to adverse fluctuations in foreign currency exchange rates. However, MPPL generally enters into forward contracts, which partially mitigate the forex risk.

### **Rating Sensitivities**

- Movement in the scale of operations and profit
- Working capital cycle
- Debt funded capex plans

### **Liquidity Position Adequate**

The liquidity profile of the company is adequate. The company has a net cash accrual of Rs.5.42 Crore as on 31<sup>st</sup> March 2024 against the debt repayment obligations of Rs.7.38 Crore in the same period. Despite, same, the company was able to prepay its long term debt obligations which was supported by the capital subsidy of Rs.4.86 Crore and the positive outcome of the cash flow from operations resulted into adequate liquidity profile of the

company. Further, the company is expected to generate sufficient net cash accruals against the debt repayment obligation of about under the range of Rs.5 Crore in near to medium term. The current ratio of the company stood at 1.42 times as on 31<sup>st</sup> March 2024 against 1.59 times as on 31<sup>st</sup> March 2023. The company has unencumbered cash and bank balance which stood at Rs.0.28 Crore as on 31<sup>st</sup> March 2024. Further, the bank limit utilization of the company stood at 83.63% in last twelve months ended August 2024. Acuite believes that liquidity profile of the company is expected to improve in near to medium term with steady accruals.

**Outlook: Stable**

**Other Factors affecting Rating**

None.

## Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	382.03	309.44
PAT	Rs. Cr.	1.40	(9.54)
PAT Margin	(%)	0.37	(3.08)
Total Debt/Tangible Net Worth	Times	1.01	1.00
PBDIT/Interest	Times	2.09	(0.31)

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

BWR, vide its press release dated February 02nd, 2024 had denoted the rating of Mahalaxmi Polypack Private Limited as BWR BB+/Stable/ A4+ 'DOWNGRADED AND ISSUER NOT CO-OPERATING'.

### 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>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.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](http://www.acuite.in).

### Rating History :

Not applicable.

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
State Bank of India	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	8.00	Simple	ACUITE A3   Assigned
State Bank of India	Not avl. / Not appl.	Bills Discounting	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.00	Simple	ACUITE A3   Assigned
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	50.00	Simple	ACUITE BBB-   Stable   Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.37	Simple	ACUITE BBB-   Stable   Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	30 Apr 2019	Not avl. / Not appl.	31 Mar 2026	1.39	Simple	ACUITE BBB-   Stable   Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	31 Jan 2022	Not avl. / Not appl.	31 Dec 2025	2.51	Simple	ACUITE BBB-   Stable   Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	29 Feb 2024	Not avl. / Not appl.	31 Jan 2028	9.73	Simple	ACUITE BBB-   Stable   Assigned

## Contacts

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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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