



Press Release
CHIRIPAL POLY FILMS LIMITED
October 21, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1215.00	ACUITE A- Stable Assigned	-
Bank Loan Ratings	610.00	-	ACUITE A2+ Assigned
Total Outstanding Quantum (Rs. Cr)	1825.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of 'ACUITE A-' (**read as ACUITE A minus**) and short-term rating of 'ACUITE A2+' (**read as ACUITE A two plus**) on the Rs. 1825.00 crore bank facilities of Chiripal Poly Films Limited (CPFL). The outlook is 'Stable'.

Rationale for rating assigned

The rating assigned factors in the established track record of the operations for the group over the years along with the extensive experience of the management in the poly films industry. The management of the company led Mr. Sumant Singhal have more than 25 years of experience in the in flexible packaging industry. Further, the rating also considers the healthy financial risk profile of the group marked with the net worth of Rs.1293.17 crore and gearing of 0.88 times as on March 31, 2024. The rating also factors in the moderate working capital operations of the company marked by the GCA days of 111 days in FY24. The company CPFL is also eligible for the subsidy receipt and interest subsidy form the central government for the recent capital expenditure of new plant in Jammu and Kashmir. However, these strengths are partly offset by the significant debt funded capex undertaken by the company. The rating also factors in the industry related risk which is highly susceptibility to volatile operating margins, driven by mismatch in demand-supply dynamics

About the Company

Incorporated in 2009 at Mumbai, Chiripal Poly Films Limited is engaged in manufacturing of Biaxially Oriented Polypropylene (BOPP) films, Biaxially oriented polyethylene terephthalate (BOPET) films, Coated films and Polyethylene Terephthalate (PET) chips. The directors of the company include Ms. Purviben Anant Anand Pokhariyal, Mr. Jyotiprasad Devkinandan Chiripal, Mr. Neeraj Kakkar, Mr. Jaiprakash Devkinandan Chiripal and Mr. Ajay Vyas.

About the Group

Chiripal Group is engaged in manufacturing of Biaxially Oriented Polypropylene (BOPP) films, Biaxially oriented polyethylene terephthalate (BOPET) films, Coated films and Polyethylene Terephthalate (PET) chips. The group

has presence in flexible packaging solutions, petrochemicals, textile park and education businesses.

Unsupported Rating

Not Applicable

Analytical Approach

Extent of Consolidation

• Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has consolidated the business and financial risk profiles of Chiripal Poly Films Limited, CPF Packaging FZE, Picasso Flexibles Ltd, Chiripal Packaging Europe B.V. and Renew Green (GJ FIVE) Private Limited together referred to as the 'Chiripal Group' (CG). The consolidation is in view of entities being subsidiaries and

associates of parent company.

Key Rating Drivers

Strengths

Established track record along with experienced management

Incorporated in 2009, Chiripal Poly Films Limited (CPFL) is in the business of flexible packaging solutions, primarily BOPP films, BOPET films, and PET resin chips. CPFL is a part of Chiripal group having more than 40 years of experience in the textile industry, flexible packaging solutions, petrochemicals and education businesses. Further the company is setting up the new manufacturing plant in Jammu and Kashmir with a capex of Rs. 1066.5 crore consisting of BOPP film line, Aluminium Foil and r-Pet (Recycling) production lines to meet the growing demand from the customers. The company CPFL currently has two manufacturing facilities each at Ahmedabad and Hyderabad, consisting of multiple production lines. The current management of the company, Mr. Sumant Singhal has an experience of more than 25 years in flexible packaging industry, projects implementation and execution, has also helped the group achieving the revenue of Rs. 3091.56 crore in FY24 as against Rs. 3784.37 crore in FY2023 and Rs. 3499.77 crore in FY22.

Acuite believes that the extensive experience of the management in the flexible packaging business will help the group in growing its business.

Healthy Financial risk profile

The financial risk profile of the company remained healthy marked by a healthy net worth, low gearing, and moderate debt protection metrics. The net worth of the company stood healthy at Rs. 1293.17 Cr. as on March 31, 2024, as against Rs. 1254.67 Cr. as on March 31, 2023. The increase in net worth is primarily due to the accretion of profits to the reserves. The gearing of the company stood at 0.88 times as on March 31, 2024 as against 0.74 times as on March 31, 2023. The gearing is expected to increase in FY25 and onwards on account of long-term loans taken by the company for setting up of new manufacturing plant. The TOL/TNW stood at 1.44 times as on March 31, 2024 as against 1.33 times as on March 31, 2023. The debt protection metrics stood moderate with DSCR and Interest coverage ratio standing at 1.11 times and 2.46 times respectively as in FY2024. The coverage ratios are expected to improve going ahead on account higher cash accruals.

Moderate Working capital

The working capital operations of the group remains moderate marked by GCA days of 111 days in FY24 as against 95 days in FY23. The GCA days are comprised of moderate inventory and debtor along with other current assets consisting of advances to suppliers and receivables from government authorities. The debtor days stood at 42 days in FY24 as against 26 days in FY23. The inventory for the group stood at 41 days in FY24 as against 52 days in FY23, this was due to fluctuation in raw material pricing due to which company preferred to maintain lower inventory. However, the creditors days stood at 74 days in FY 2024 as against 56 days in FY 2023. Around 80-85 percent of the creditors are backed by letter of credit for the company.

Weaknesses

Implementation risk

CPFL has ongoing capex for BOPP, Aluminium Foil and r-Pet line in the state of Jammu and Kashmir. The total estimated cost for the project is Rs. 1066.5 crore, which is being funded by a mix of debt and equity. While the gearing is expected to remain adequate despite the addition of capex debt, the risks related to cost and time overruns, timely stabilisation of the new capacities and offtake risks for such facilities remain monitorable. Majority of the debt related to this capex has been disbursed in FY25, while the full year of operation will begin from FY26.

Susceptibility to volatile operating margins, driven by demand-supply dynamics:

The packaging films business over the years has been severely facing demand supply mismatch. The industry is also highly competitive, with aggressive capacity expansions by few large players exerting pressure on realisations. Players tend to add large capacities whenever prices pick up, which leads to a fall in product realisations. Further, key raw materials, such as polyethylene terephthalate (PET) resin or chips are derivatives of crude, and hence, profitability remains susceptible to volatility in crude prices. Industry witnessed an oversupply situation over the last 2 years, which led to decline in margins to 6.5 percent in FY24 and FY23 as against 14.49 percent in FY22. The operating margins are expected to improve in the current year as visible from the lower crude price.

Rating Sensitivities

- Timely completion of the capex.
- Significant improvement in operating margins leading to improvement in financial risk profile.

Liquidity Position

Adequate

The liquidity position of the group is marked adequate basis sufficient net cash accruals against repayment obligations. The group generated NCA of Rs.123.86 crore in FY24 as against Rs.102.82 crore of repayment obligations in the same year. Further the group is expected to generate more than sufficient NCA against the repayment obligations which is close to Rs.175 crore during the same tenure. The group also benefits from the financial support extended by the Promoters and related parties in the form of unsecured loans to meet the working capital requirement. The total outstanding amount of unsecured loans stood at Rs. 70.71 Crore as of March 31, 2024. The group has Cash and Bank balance of Rs. 5.52 Crore as on March 31, 2024. The Average Bank limit utilisation for last 12 months stood at 69% on closing basis.

Outlook : Stable**Other Factors affecting Rating**

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	3091.56	3784.37
PAT	Rs. Cr.	38.33	95.52
PAT Margin	(%)	1.24	2.52
Total Debt/Tangible Net Worth	Times	0.88	0.74
PBDIT/Interest	Times	2.46	3.54

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

None

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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 :

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
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	85.00	Simple	ACUITE A- Stable Assigned
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	75.50	Simple	ACUITE A- Stable Assigned
Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	13.50	Simple	ACUITE A- Stable Assigned
Bank of Baroda	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	30.00	Simple	ACUITE A- Stable Assigned
Bank of Maharashtra	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	45.00	Simple	ACUITE A- Stable Assigned
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	16.00	Simple	ACUITE A- Stable Assigned
UCO Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE A- Stable Assigned
Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	25.00	Simple	ACUITE A- Stable Assigned
Indian Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	76.50	Simple	ACUITE A2+ Assigned
UCO Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	62.00	Simple	ACUITE A2+ Assigned
Union Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	75.00	Simple	ACUITE A2+ Assigned
Bank of Maharashtra	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	57.00	Simple	ACUITE A2+ Assigned
Bank of Baroda	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	22.00	Simple	ACUITE A2+ Assigned
Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	77.50	Simple	ACUITE A2+ Assigned
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	65.00	Simple	ACUITE A2+ Assigned
Punjab National Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	175.00	Simple	ACUITE A2+ Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	12.27	Simple	ACUITE A- Stable Assigned
UCO Bank	Not avl. / Not appl.	Term Loan	07 Feb 2019	Not avl. / Not appl.	31 Dec 2031	23.07	Simple	ACUITE A- Stable Assigned
UCO Bank	Not avl. / Not appl.	Term Loan	04 Mar 2023	Not avl. / Not appl.	31 Dec 2033	49.90	Simple	ACUITE A- Stable Assigned
Union Bank of India	Not avl. / Not appl.	Term Loan	04 Dec 2018	Not avl. / Not appl.	31 Dec 2031	70.30	Simple	ACUITE A- Stable Assigned
Saraswat Bank	Not avl. / Not appl.	Term Loan	23 Jul 2018	Not avl. / Not appl.	25 Nov 2029	30.25	Simple	ACUITE A- Stable Assigned

Saraswat Bank	Not avl. / Not appl.	Term Loan	29 Oct 2022	Not avl. / Not appl.	30 Jun 2034	45.80	Simple	ACUITE A- Stable Assigned
Saraswat Bank	Not avl. / Not appl.	Term Loan	31 Jul 2023	Not avl. / Not appl.	31 Jan 2033	2.60	Simple	ACUITE A- Stable Assigned
Bandhan Bank	Not avl. / Not appl.	Term Loan	28 Dec 2021	Not avl. / Not appl.	01 Jan 2032	37.80	Simple	ACUITE A- Stable Assigned
Bandhan Bank	Not avl. / Not appl.	Term Loan	15 Oct 2022	Not avl. / Not appl.	01 Mar 2031	6.12	Simple	ACUITE A- Stable Assigned
Punjab National Bank	Not avl. / Not appl.	Term Loan	01 Dec 2015	Not avl. / Not appl.	31 Dec 2027	12.35	Simple	ACUITE A- Stable Assigned
Punjab National Bank	Not avl. / Not appl.	Term Loan	08 Dec 2023	Not avl. / Not appl.	31 Mar 2036	175.00	Simple	ACUITE A- Stable Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	11 Dec 2023	Not avl. / Not appl.	30 Sep 2036	121.00	Simple	ACUITE A- Stable Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	14 Jan 2016	Not avl. / Not appl.	31 Dec 2027	20.96	Simple	ACUITE A- Stable Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	05 Nov 2019	Not avl. / Not appl.	31 Dec 2029	7.20	Simple	ACUITE A- Stable Assigned
Bank of India	Not avl. / Not appl.	Term Loan	06 Dec 2018	Not avl. / Not appl.	31 Dec 2031	53.11	Simple	ACUITE A- Stable Assigned
Bank of Maharashtra	Not avl. / Not appl.	Term Loan	22 Jul 2021	Not avl. / Not appl.	12 Mar 2033	47.27	Simple	ACUITE A- Stable Assigned
Bank of Maharashtra	Not avl. / Not appl.	Term Loan	23 Aug 2023	Not avl. / Not appl.	31 Mar 2036	200.00	Simple	ACUITE A- Stable Assigned

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Sr. No	Name of the companies
1	CPF Packaging FZE
2	Picasso Flexibles Ltd
3	Chiripal Packaging Europe B.V.
4	Renew Green (GJ FIVE) Priavte Limited
5	Devkinandan Corporation LLP
6	Chiripal Packaging USA INC
7	Chiripal Poly Films Limited

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About Acuité Ratings & Research

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