

Kamakshi Flexiprints Private Limited

December 09, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	-	-	Reaffirmed at CARE BB+; Stable / CARE A4+ (Double B Plus; Outlook: Stable / A Four Plus) and Withdrawn
Short Term Bank Facilities	-	-	Reaffirmed at CARE A4+ (A Four Plus) and Withdrawn
Total Bank Facilities	0.00 (Rs. Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale and Key Rating Drivers:

CARE has reaffirmed and withdrawn the outstanding ratings of CARE BB+; Stable/CARE A4+ [Double B Plus; Outlook: Stable/ A Four Plus] assigned to the bank facilities of Kamakshi Flexiprints Private Limited (KFPL), with immediate effect. The rating withdrawal is at the request of KFPL and 'No Objection Certificate' received from the bank that has extended the facilities rated by CARE.

The ratings prior to its withdrawal continue to remain constrained on account of non-availability of further update on its debt funded project planned which is however largely mitigated by long standing track record of KFPL and its collaboration with strategic partner SUDPACK Holdings GmbH, Germany [Sudpack].

Furthermore, the ratings also take into consideration its moderate scale of operations along with moderate profit margins and stretched liquidity position during FY21 (Provisional), refers to the period of April 1 to March 31). The ratings further remained constrained on account of susceptibility of operating margins to volatile raw material prices as well as foreign exchange rate and its presence in highly competitive and fragmented plastic packaging industry.

The ratings, however, continue to derive comfort from extensive experience of promoters, reputed and diversified customer base and favorable demand prospects for flexible packaging and comfortable capital structure. The ratings also favorably take into consideration equity investment made by Sudpack as growth partner.

Detailed description of the key rating drivers

Key Rating Weaknesses

Moderate scale of operations coupled with moderate profit margins

During FY21, total operating income (TOI) of KFPL declined marginally by ~5% y-o-y and remained at Rs.53.51 crore as against Rs.56.56 crore during FY20.

PBILDT margin declined by 292 bps y-o-y and remained moderate at 6.27% in FY21 (9.19% in FY20). Decline in Operating margin was mainly on account of increase in employee cost and selling expenses incurred during the year. Consequently, PAT margin also declined and stood at 1.50% in FY21 as against 3.46% in FY20. Gross cash accruals declined and stood at Rs.1.58 crore during FY21 (Rs.2.72 crore during FY20).

Project implementation and stabilization risk associated with large size debt funded capex

KFPL and Sudpack have entered into Joint Venture agreement for manufacturing of flexible packaging material. As per last information, the project would commence commercial operations by January 2022 with a project cost of Rs.132.81 crore which is expected to be funded via term loan of Rs.72 crore, equity from Sudpack of Rs.55 crore and Rs.5.00 crore from internal accruals. The existing capacity of 300 MTPM is proposed to increase to 1250 MTPM in phase I and upto 2500 MTPM in phase II.

Susceptibility of profit margins to volatility in raw material prices and foreign exchange fluctuation risk

KFPL's key raw materials include granules and plastic films which it procures from domestic as well as international markets. The key raw material, being derivative of crude oil, makes KFPL's profitability susceptible to volatility in crude oil prices. KFPL earns fixed mark-up for processing flexible films in to packaging material. Hence, in a way the raw material prices are pass-through in nature which partially mitigates the risk associated with price volatility in the raw material. Since, KFPL does not have any active hedging policy so it is exposed to risk of fluctuations in foreign currency.

Presence in a highly competitive flexible packaging material industry

The flexible packaging industry is highly fragmented in nature having few large players and several mid and small players operating this segment of packaging. Moreover, owing to low entry barriers associated with industry, moderate initial capital investment and ease of access to technology, there is large influx of small players in industry.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE publications

Key Rating Strengths

Extensive experience of promoters and advantage of global flexible packaging manufacturer as strategic investor

Mr. Harish Goel and Mr. Narendra Dhupar have experience of more than three decades in the flexible packaging industry through association with KFPL, M/s Gallant Impex Private Limited and Everplus Exim Private Limited. Promoters are supported by team of experienced professionals.

Additionally, KFPL will be benefited by experience of established global packaging company, SUDPACK who has joined KFPL as strategic investor through acquisition of 26% equity stake in July 2019. SUDPACK has operational track record of more than five decades in flexible packaging industry offering different products in flexible packaging and printing to some of the global players in the area of FMCG, Food, Pharma, etc.

Long standing relationship with customers and diversified customer base

KFPL has a reputed client base, and has been associated with some of the clients for over five years. Owing to its compliance with strict delivery schedule and adherence to requisite quality standards, KFPL has been generating repeat orders from its customers.

Comfortable capital structure and moderate debt coverage indicators

The capital structure of KFPL remained comfortable marked by an overall gearing ratio at 0.18 times as on March 31, 2021 (Prov.) as against 0.22 times as on March 31, 2020. Improvement was on account of increase in tangible net worth led by accretion of profits to reserves coupled with marginal equity infusion to the tune of Rs.0.21 crore during FY21.

The debt coverage indicators of KFPL deteriorated marginally but continue to remain moderate marked by total debt to GCA (TDGCA) of 7.59 years as on March 31, 2021 (4.38 years as on March 31, 2020). Interest coverage ratio remained moderate at 2.43 times during FY21 (3.15 times during FY20) due to decline in operating profit during FY21.

Committed investment by strategic partner SUDPACK providing cash flow cushion

SUDPACK has initially invested Rs.40 crore of equity acquiring 26% stake in July 2019 in the company. Apart from initial investment, SUDPACK had also assured further need based equity investment in the company for upto Rs.20 crore within upto 365 days from July 26, 2019 which is further extended more by 365 days. The said arrangement is expected to mitigate risk associated with funding of cost overrun, if any and unfavourable deviation in the project gearing. Moreover, proposed name lending by SUDPACK is also expected to help KFPL in gaining visibility for the large multinational customers in the domestic and international market.

Favorable demand prospects for the flexible packaging industry

The flexible packaging market in India is considered to be one of the most dynamic packaging markets exhibiting diversified types of packaging and materials used. Food, beverage, personal care products and pharmaceutical industries are the most important constituents of packaged goods. With a huge market potential and growing consumer preference, the market is likely to witness good growth in the coming years. Factors that will drive the flexible packaging market going forward include increasing demand for convenient packaging, rising demand for packaged food and beverages, increased demand for plastic-based flexible packaging products, growing demand for stand-up pouches, increased preference for aesthetically appealing products and increase in technological innovations.

Analytical Approach: Standalone

Applicable Criteria

[CARE's Policy on withdrawal of ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria on assigning Outlook and Credit Watch to Credit Ratings](#)

[Financial ratios – Non-Financial Sector](#)

[Criteria for short term instruments](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

About KFPL

KFPL is an Ahmedabad-based company which was incorporated in July 1994 and is promoted by Mr. Harish Goel and supported by Mr. Narendra Dhupar. KFPL 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. KFPL's 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. KFPL has its sole manufacturing facility located in Ahmedabad with an installed capacity of 300 MTPM as on March 31, 2020. KFPL is setting up 1250 MTPM capacity plant for production of flexible packaging in phase I through a joint venture project with SUDPACK.

About SUDPACK Holding GmbH, Germany

European Group SUDPACK Holding GmbH established in 1988 with six production sites and headquartered in Germany being one of the largest flexible packaging manufacturer specialized in barrier packaging in Europe along with multilayer packaging

facilities and exposure to various countries of Europe. Through this collaboration, KFPL will get recognition and exposure in international market.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (P)	9MFY22 (P)
Total operating income	56.57	53.51	NA
PBILDT	5.20	3.35	
PAT	1.96	0.81	
Overall gearing (times)	0.22	0.19	
Interest coverage (times)	3.15	2.43	

A: Audited, P: Provisional; NA: Not available

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Please refer Annexure-3

Complexity level of various instruments rated for this company: Please refer Annexure-4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT/ ST-Cash Credit		-	-	-	0.00	Withdrawn
Non-fund-based - ST-EPC/PCFC		-	-	-	0.00	Withdrawn
Non-fund-based - ST-ILC/FLC		-	-	-	0.00	Withdrawn

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT/ ST-Cash Credit	LT/ST*	-	-	-	1)CARE BB+; Stable / CARE A4+ (05-Nov-20)	1)CARE BB+; Positive / CARE A4+ (14-Aug-19)	1)CARE BB+; Stable / CARE A4+ (02-Jul-18)
2	Non-fund-based - ST-EPC/PCFC	ST	-	-	-	1)CARE A4+ (05-Nov-20)	1)CARE A4+ (14-Aug-19)	1)CARE A4+ (02-Jul-18)
3	Non-fund-based - ST-ILC/FLC	ST	-	-	-	1)CARE A4+ (05-Nov-20)	1)CARE A4+ (14-Aug-19)	1)CARE A4+ (02-Jul-18)

Annexure 3: Covenants of rated instrument/facility: Not Applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT/ ST-Cash Credit	Simple
2	Non-fund-based - ST-EPC/PCFC	Simple
3	Non-fund-based - ST-ILC/FLC	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to www.careedge.in for any clarifications

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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