

## Rajshree Polypack Limited

August 11, 2021

### Ratings

Facilities / Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	20.59	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB+; Stable; (Double B Plus; Outlook: Stable)
Short Term Bank Facilities	3.90	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE A4+; (A Four Plus)
Total Facilities	24.49 (Rs. Twenty-Four Crore and Forty-Nine Lakhs Only)		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated July 08, 2020, placed the rating(s) of Rajshree Polypack Limited (RPL) under the 'issuer non-cooperating' category as RPL had failed to provide information for monitoring of the rating. RPL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and email dated June 03, 2021, June 13, 2021, June 24, 2021. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

***Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).***

The ratings have been revised account of non-cooperation by RPL and CARE's efforts to undertake a review of the ratings outstanding. CARE views information availability risk as a key factor in its assessment of credit risk.

### Detailed description of the key rating drivers

*At the time of last rating on July 08, 2020 the following were the rating strengths and weaknesses (updated for the information available from National Stock Exchange):*

#### Key Rating Weaknesses

***Relatively modest scale of operations:*** RPL's total operating income stood at Rs.130.09 crore in FY21 and vis-à-vis Rs.128.00 crore in FY20. The same has increased by 1.63% on y-o-y. RPL's scale of operations continues to be relatively modest.

***Working capital intensive nature of operations:*** RPL's working capital cycle continued to remain working capital intensive due to high collection and inventory period in FY21. Further utilization of working capital bank borrowing remained at 70% on an average during last twelve months ending July 2021.

***Project execution risk:*** RPL has undertaken capacity expansion project wherein it is planning to set up Factory Unit IV (addition to Unit I, II and III) at Daman, India. This new manufacturing facility is proposed to focus on manufacturing of rigid plastic sheets and thermoformed packaging products. Further, Company has entered into a Lease Deed with Gagan Packaging Private Limited for 16 years 9 months for constructing and setting up Factory Unit IV. Total cost of the project is Rs.36.24 crore which will be funded through funds raised from IPO.

***Profitability margins exposed to volatility in raw material prices:*** The primary raw materials used by RPL for manufacturing of plastic containers are polypropylene and polystyrene. The prices of these raw materials are linked to crude oil prices & have therefore been volatile in past. Furthermore, RPL has practice of maintaining inventory of around one and half month which exposed its profitability margins to volatile raw material prices. Also given the relatively modest scale of operations,

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

\*Issuer did not cooperate; Based on best available information

RPL has limited bargaining power with suppliers. However, this risk is partially mitigated as RPL has an understanding with some of its customers as per which the finished product prices are linked with fluctuation in raw material prices.

**Highly fragmented & competitive nature of industry:** The flexible packaging industry is highly fragmented in nature on the account of low entry barrier both in terms of low initial capital investment and easy access to technology. The players with the established track record, reasonable size and with the focus on the improvement in the quality of packaging are able to re-negotiate the prices with the customers and would be able to cater to the rising demand for the consumption-based sectors with the protection of margin.

#### Key Rating Strengths

**Long track record of operation and experienced promoters:** RPL is managed by Mr. Ramswaroop Thard who has extensive experience in industry with rich domain knowledge. Furthermore, they are supported by experienced management team.

**Established relations with reputed customers:** RPL continues to receive repeat orders from reputed customer base namely Pepsico, Creamline Dairy Products Limited Hindustan Unilever Limited, Positive Packaging Industries Limited, Amul-Gujarat Co-operative Milk Marketing Federation, Neeyog Packaging and others as reflected from RPL's growing scale of operation and healthy order book position.

**Comfortable capital structure and debt coverage indicators:** The overall gearing continued to remain comfortable however marginally deteriorated to 0.12x as on March 31, 2021 (vis-à-vis 0.02x as on March 31, 2020) on account of increase in debt level. Furthermore, due to increase in debt level, total debt /GCA has deteriorated to 0.82x in FY21 (vis-à-vis 0.14x in FY20). Further Interest coverage ratio also improved to 20.38x in FY21 (vis-à-vis 14.22x in FY20) on account of lower interest cost incurred in FY20.

**Healthy profit margins:** The profit margins continue to remain healthy with PBILDT margin of the company remained at 15.67% in FY21 vis-à-vis 15.60% in FY20. Furthermore, PAT margin marginally declined to 6.78% in FY21 and 7.23%.

#### Liquidity Position: Adequate

Liquidity position has remained adequate marked by cash and bank balance to Rs.25.34 crore (out of which Rs. 18.78 crore is lien marked fixed deposit) as on March 31, 2021. Further company had not availed moratorium provided by RBI under Covid-19 pandemic situation.

**Funds raised through IPO and private equity during FY19 for the capacity expansion project however project execution risk exists:** RPL has raised total funds of Rs. 39.10 crore in FY19 through Initial public offerings (IPO) by issuing 29,60,000 shares of Rs. 120/- each amounting to Rs. 35.52 crore and through private equity by issuing 2,97,393 shares of Rs. 120/- each of amounting to Rs. 3.58 crore with a view to expanding its manufacturing capacity to 15,200 MT extrusion sheets per annum (from 10,200 MT extrusion sheets per annum) at Factory Unit IV at Daman, India. Further, Company has entered into a Lease Deed with Gagan Packaging Private Limited for 16 years 9 months for constructing and setting up Factory Unit IV. Total cost of the project is Rs.36.24 crore which will be funded through funds raised from IPO. As on March 23, 2019; company has incurred expenses of Rs. 5.10 crore (14% of the total project cost) through proceedings from IPO. Construction work is started in January 2019 and unit IV is expected to be operational by January 2020. Thus going forward RPL's ability to complete the project in timely manner without any cost and time overrun shall be critical from credit perspective.

**Analytical approach:** Standalone

#### Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning outlook and credit watch to Credit Ratings](#)

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

[Rating Methodology- Manufacturing Companies](#)

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

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

[CARE's Methodology for Short-term Instruments](#)

#### About the Company

Established in 2003 as a partnership firm and later reconstituted into a private limited company in 2011, Rajshree Polypack Private Limited (RPPL) and then was converted into public limited company and named as Rajshree Polypack Limited (RPL) in August, 2017. The company is engaged in the manufacturing of thermoformed plastic containers for food products [viz. cups, plates, trays, containers, ice cream cups and others ranging from a capacity of 50 Millilitres (ml) to 1,000 Millilitres (ml)]

under the brand name 'Natraj', 'Samrat', 'Satyam' for reputed FMCG and packaging clients namely Pepsico, Creamline Dairy Products Limited, Hindustan Unilever Limited, Positive Packaging Industries Limited and others.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)
Total operating income	128.00	130.09
PBILDT	19.97	20.38
PAT	9.26	8.82
Overall gearing (times)	0.02	0.12
Interest coverage (times)	14.26	20.38

A: Audited

Status of non-cooperation with previous CRA:

Any other information:

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

#### Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	9.12	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	6.50	CARE BB; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Letter of credit	-	-	-	2.00	CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantees	-	-	-	0.40	CARE A4; ISSUER NOT COOPERATING*
Fund-based - ST-Bills discounting/ Bills purchasing	-	-	-	1.50	CARE A4; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	February 2022	1.76	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	January 2022	1.21	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	2.00	CARE BB; Stable; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; Based on best available information

## 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-Term Loan	LT	9.12	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (08-Jul-20)	1)CARE BBB; Stable; ISSUER NOT COOPERATING* (20-Mar-20) 2)CARE BBB+; Stable (03-Apr-19)	1)CARE BBB+; Stable (19-Jul-18) 2)CARE BBB+ (CWD) (04-Apr-18)
2.	Fund-based - LT-Cash Credit	LT	6.50	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (08-Jul-20)	1)CARE BBB; Stable; ISSUER NOT COOPERATING* (20-Mar-20) 2)CARE BBB+; Stable (03-Apr-19)	1)CARE BBB+; Stable (19-Jul-18) 2)CARE BBB+ (CWD) (04-Apr-18)
3.	Non-fund-based - ST-Letter of credit	ST	2.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4+; ISSUER NOT COOPERATING* (08-Jul-20)	1)CARE A3; ISSUER NOT COOPERATING* (20-Mar-20) 2)CARE A3+ (03-Apr-19)	1)CARE A3+; Stable (19-Jul-18) 2)CARE A3+ (CWD) (04-Apr-18)
4.	Non-fund-based - ST-Bank Guarantees	ST	0.40	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4+; ISSUER NOT COOPERATING* (08-Jul-20)	1)CARE A3; ISSUER NOT COOPERATING* (20-Mar-20) 2)CARE A3+ (03-Apr-19)	1)CARE A3+; Stable (19-Jul-18) 2)CARE A3+ (CWD) (04-Apr-18)
5.	Fund-based - ST-Bills discounting/ Bills purchasing	ST	1.50	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4+; ISSUER NOT COOPERATING* (08-Jul-20)	1)CARE A3; ISSUER NOT COOPERATING* (20-Mar-20)	1)CARE A3+; Stable (19-Jul-18)

							2)CARE A3+ (03-Apr-19)	18) 2)CARE A3+ (CWD) (04-Apr-18)
6.	Fund-based - LT-Term Loan	LT	1.76	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (08-Jul-20)	1)CARE BBB; Stable; ISSUER NOT COOPERATING* (20-Mar-20) 2)CARE BBB+; Stable (03-Apr-19)	-
7.	Fund-based - LT-Term Loan	LT	1.21	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (08-Jul-20)	1)CARE BBB; Stable; ISSUER NOT COOPERATING* (20-Mar-20) 2)CARE BBB+; Stable (03-Apr-19)	-
8.	Fund-based - LT-Cash Credit	LT	2.00	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (08-Jul-20)	1)CARE BBB; Stable; ISSUER NOT COOPERATING* (20-Mar-20) 2)CARE BBB+; Stable (03-Apr-19)	-

\*Issuer did not cooperate; Based on best available information

**Annexure 3: Complexity level of various instruments rated for this Company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple
3.	Fund-based - ST-Bills discounting/ Bills purchasing	Simple
4.	Non-fund-based - ST-Bank Guarantees	Simple
5.	Non-fund-based - ST-Letter of credit	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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