

Rajshree Polypack Limited

August 11, 2022

Ratings

Facilities / Instruments	Amount (Rs. crore)	Ratings ¹	Rating Action
Long Term Bank Facilities	20.59	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB; Stable; (Double B; 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
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 Ratings Ltd. had, vide its press release dated August 11, 2021, 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 as agreed to in its Rating Agreement. RPL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and emails dated June 27, 2022, July 17, 2022, August 03, 2022 and August 04, 2022. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'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 August 11, 2021 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 grew to Rs.199.65 crore in FY22 and vis-à-vis Rs. 130.09 crore in FY21. The same has increased by 53.47% 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 FY22.

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 II) 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 operation, 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.

¹Complete definitions of the ratings assigned are available at www.careedge.in and in other CARE Ratings Ltd.'s publications

*Issuer did not cooperate; Based on best available information

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 deteriorated to 0.44x as on March 31, 2022 (vis-à-vis 0.12x as on March 31, 2021) on account of increase in debt level. Furthermore, due to increase in debt level, total debt /GCA has deteriorated to 2.36x in FY22 (vis-à-vis 0.82x in FY21). Further Interest coverage ratio also deteriorated to 8.70x in FY22 (vis-à-vis 20.38x in FY21) on account of increase in interest cost incurred in FY22.

Healthy profit margins: The profit margins continue to remain healthy with PBILDT margin of the company remained at 13.52% in FY22 vis-à-vis 16.67% in FY21. Furthermore, PAT margin declined to 4.79% in FY22 and 6.78% in FY21 due to increase in depreciation cost.

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.

Liquidity Position: Stretched

Liquidity position has remained stretched marked by cash and bank balance to Rs.1.32 crore as on March 31, 2022 vis-à-vis Rs. 25.24 crore as on March 31, 2021.

Analytical approach: Standalone

Applicable Criteria

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

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

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)	FY21 (A)	FY22 (A)	Q1FY23 (UA)
Total operating income	130.09	199.65	NA
PBILDT	20.38	26.99	NA
PAT	8.82	9.57	NA
Overall gearing (times)	0.12	0.44	NA
Interest coverage (times)	20.38	8.70	NA

A: Audited, NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

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

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	March 2021	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 Guarantee		-	-	-	0.40	CARE A4; ISSUER NOT COOPERATING*
Fund-based - ST-Bill 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*

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	9.12	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable; ISSUER NOT COOPERATING* (11-Aug-21)	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)
2	Fund-based - LT-Cash Credit	LT	6.50	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable; ISSUER NOT COOPERATING* (11-Aug-21)	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)
3	Non-fund-based - ST-Letter of credit	ST	2.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4; ISSUER NOT COOPERATING* (11-Aug-21)	1)CARE A4+; ISSUER NOT COOPERATING* (08-Jul-20)	1)CARE A3; ISSUER NOT COOPERATING* (20-Mar-20) 2)CARE A3+ (03-Apr-19)
4	Non-fund-based - ST-Bank Guarantee	ST	0.40	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4; ISSUER NOT COOPERATING* (11-Aug-21)	1)CARE A4+; ISSUER NOT COOPERATING* (08-Jul-20)	1)CARE A3; ISSUER NOT COOPERATING* (20-Mar-20) 2)CARE A3+ (03-Apr-19)
5	Fund-based - ST-Bill Discounting/ Bills Purchasing	ST	1.50	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4; ISSUER NOT COOPERATING* (11-Aug-21)	1)CARE A4+; ISSUER NOT COOPERATING* (08-Jul-20)	1)CARE A3; ISSUER NOT COOPERATING* (20-Mar-20) 2)CARE A3+ (03-Apr-19)
6	Fund-based - LT-Term Loan	LT	1.76	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable; ISSUER NOT COOPERATING* (11-Aug-21)	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 COOPERATIN G*	-	1)CARE BB; Stable; ISSUER NOT COOPERATIN G* (11-Aug-21)	1)CARE BB+; Stable; ISSUER NOT COOPERATIN G* (08-Jul-20)	1)CARE BBB; Stable; ISSUER NOT COOPERATIN G* (20-Mar-20) 2)CARE BBB+; Stable (03-Apr-19)
8	Fund-based - LT-Cash Credit	LT	2.00	CARE BB-; Stable; ISSUER NOT COOPERATIN G*	-	1)CARE BB; Stable; ISSUER NOT COOPERATIN G* (11-Aug-21)	1)CARE BB+; Stable; ISSUER NOT COOPERATIN G* (08-Jul-20)	1)CARE BBB; Stable; ISSUER NOT COOPERATIN G* (20-Mar-20) 2)CARE BBB+; Stable (03-Apr-19)

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not available

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

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - ST-Bill Discounting/ Bills Purchasing	Simple
4	Non-fund-based - ST-Bank Guarantee	Simple
5	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

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

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About CARE Ratings Limited:

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