

Caprihans India Limited

May 23, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	620.00	CARE BB; Stable; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	1.00	CARE BB; Stable / CARE A4+; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	51.75	CARE A4+; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

Caprihans India Limited has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. 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. The rating on Caprihans India Limited's bank facilities will now be denoted as **CARE BB; Stable / CARE A4+; ISSUER NOT COOPERATING***.

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 remain constrained by the company's modest operating margin, leveraged capital structure following the acquisition, the susceptibility of its revenue and profitability to government regulations, volatility in crude oil prices and foreign exchange rates. However, the above weaknesses are partially offset by strengths derived from its established track record in the packaging industry.

Analytical approach: Standalone

Outlook: Stable

CPPL is expected to record steady performance over the coming quarters on the back of long-standing relationship with key customers and synergy benefits from acquisition of the assets of its parent, Bilcare Limited.

Detailed description of the key rating drivers

Key weaknesses

Continuance of modest operating margin; lower than envisaged

With acquisition of PPI unit from Bilcare Limited, CIL is able to meet its base film requirement from the acquired unit and hence this results in low dependence on imports. This backward integration along with optimisation of cost and correction in prices of raw material, i.e. resin, is expected to improve the operating margin in near to mid-term. The benefits of backward integration have started accruing from Q1FY24 and hence the operating margin for 9MFY24 is better than FY23 (9MFY24: 11.14%; FY23: 6.69%). However, for the company to meet its term debt repayments from FY25, the PBILDT margins in subsequent quarters will have to be substantially higher. CARE Ratings believes that such a significant improvement in operating margin is unlikely, and hence there would be limited liquidity cushion for CIL during FY25-FY26. CIL's performance in terms of operating margin remains a key monitorable.

Highly leveraged capital structure post-acquisition:

CIL, from a zero-debt company, has turned to be a highly leveraged entity with the acquisition of PPI unit from its holding company. The acquisition process was completed in March 2023 for a net consideration of Rs. 213.00 crores. The company took over the liabilities of Bilcare Ltd aggregating to Rs.620.00 crores and same was paid by availing bank borrowing. The total debt of the company majorly comprises term loans. The other debt components are public deposits, redeemable preference shares issued to the holding company, working capital facility and payables backed by LC. Moreover, the net worth of the company has turned negative at Rs. 288.49 crores as on Mar 31, 2023, post the acquisition of the operational asset, with negative capital reserve. The said net worth is excluding the revaluation reserve. With the expected improvement in profitability, in CARE's assessment, the interest coverage is expected to improve marginally. However, it will continue to remain modest in near to medium term. The interest coverage of the company stood modest in 9MFY24 at 0.96x (FY23: 1.06x)

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

Susceptible to government regulations:

The pharmaceutical and food industry are major customers of the packaging industry. As both the user industries pertain to health and general well-being of the people at large, government regulations pertaining to packaging used in both these industries are very strictly implemented. Therefore, CIL's operation is susceptible to these regulatory risks, any unanticipated changes in which, could have a material impact on its financial risk profile.

Exposure to volatility in crude oil prices and foreign exchange rates

Polymer resin being a crude oil derivative, its prices are linked with crude oil prices. Additionally, these resins are largely imported, due to which its prices are also susceptible to the volatility in foreign exchange rates. CIL is able to revise prices with its pharmaceutical industry clients only with a lag of a few months. Thus, commodity price and foreign exchange fluctuation are significant risks to the profitability of the company.

Key strengths

Established track record of the company in the packaging industry

CIL has been in the business of flexible polyvinyl chloride (PVC) products since 1957 with an established track record of around six decades in the packaging industry. Over the years, the company has steadily expanded into decorative and industrial laminates, polystyrene sheets and plastic-corrugated sheets. It has diversified from flexible packaging products into manufacture of rigid PVC and polyvinylidene chloride (PVDC) films. The company caters to the packaging demand from pharmaceutical, fast-moving consumer goods (FMCG) and food industries. Besides, flexible PVC film and extruded products are used for a variety of other industrial applications.

Liquidity: Stretched

The liquidity of CIL remains stretched marked by likelihood of projected cash accruals being insufficient to meet scheduled debt repayment obligations. The company has principal debt obligation of Rs. 28.75 crore and Rs. 40.25 crores in FY25 and FY26, respectively, with limited headroom available from undrawn working capital facilities as the average limit utilisation remained high at above 90% for the 12-months period till August 2023.

Applicable criteria

[Definition of Default](#)

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

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry Classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Industrials	Capital Goods	Industrial Products	Plastic Products - Industrial

CIL was incorporated as a privately held company on April 11, 1946 and was listed on the Bombay Stock Exchange in 1976. The company is among the prominent players in rigid packaging. CIL's manufacturing units are located in Thane and Nasik, Maharashtra. The company is engaged in the processing of plastic polymers and manufactures rigid and flexible polyvinyl chloride (PVC) films by calendaring process poly vinylidene chloride (PVDC)-coated rigid PVC film and certain plastic products through extrusion process in India. CIL is presently promoted by Bilcare Mauritius Limited (holds 51% stake) and Bilcare Mauritius Limited is wholly owned subsidiary of Bilcare Limited (BIL). Bilcare Limited was into default from 2013 and was later taken into National Company Law Tribunal (NCLT) by its lenders in 2019. Later in 2023, BIL settled its dues in a one-time settlement process for which CIL leveraged its balance sheet to acquire the operating assets of Bilcare and BIL used these funds to repay its lenders

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
Total operating income	799.09	939.10	526.08
PBILDT	59.17	62.81	58.62
PAT	-39.57	71.76	-33.72
Overall gearing (times)	-2.97	-2.98	NA
Interest coverage (times)	0.86	1.06	0.96

A: Audited UA: Unaudited NA: Not available; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Annexure-2

Covenants of the rated instruments/facilities: Annexure-3

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	31-03-2031	570.00	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Working Capital Limits		-	-	-	50.00	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - LT/ ST-CC/Packing Credit		-	-	-	1.00	CARE BB; Stable / CARE A4+; ISSUER NOT COOPERATING*
Non-fund-based-Short Term		-	-	-	51.75	CARE A4+; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT/ST-CC/Packing Credit	LT/ST	1.00	CARE BB; Stable / CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable / CARE A4+ (09-Oct-23)	1)CARE BBB- / CARE A3 (RWN) (20-Jan-23) 2)CARE A-; Stable / CARE A2+ (05-Sep-22)	1)CARE A-; Stable / CARE A2+ (22-Mar-22) 2)CARE A-; Stable / CARE A2+ (07-Oct-21)
2	Non-fund-based-Short Term	ST	51.75	CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE A4+ (09-Oct-23)	1)CARE A3 (RWN) (20-Jan-23) 2)CARE A2+ (05-Sep-22)	1)CARE A2+ (22-Mar-22) 2)CARE A2+ (07-Oct-21)
3	Fund-based - LT-Term Loan	LT	570.00	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (09-Oct-23)	1)CARE BBB- (RWN) (20-Jan-23)	-
4	Fund-based - LT-Working Capital Limits	LT	50.00	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (09-Oct-23)	1)CARE BBB- (RWN) (20-Jan-23)	-

*Issuer did not cooperate; based on best available information.

**Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT-Working Capital Limits	Simple
3	Fund-based - LT/ ST-CC/Packing Credit	Simple
4	Non-fund-based-Short Term	Simple

Annexure-5: Lender details

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

Note on the 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.

Contact us

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About us:

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