RD Brown Box Packaging Private Limited

November 14, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	35.33 (Enhanced from 34.09)	CARE BB; Stable	Upgraded from CARE BB-; Stable
Short Term Bank Facilities	4.00	CARE A4	Reaffirmed
Long Term Bank Facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in the rating assigned to the bank facilities of RD Brown Box Packaging Private Limited (RDBPL) factors in the improvement in scale of operation and profitability margins. The rating also factors in the completion of capacity addition in FY24 while sustaining the utilization level. The ratings continue to be constrained by leveraged capital structure, highly fragmented and competitive nature of the business segment, which features numerous players. The ratings, however, derive strength from the promoter's extensive experience of over three decades in the packaging industry and a reputed customer base.

CARE Ratings has withdrawn the long-term rating assigned to the Proposed fund-based limits of the company as the aforementioned facilities have been sanctioned and accordingly factored in the rated limits.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in scale of operation above ₹150.00 crores while maintaining a profit before interest, lease rentals, depreciation and taxation (PBILDT) margin above 12% on a sustained basis.
- Improvement in Total debt/Gross Cash Accruals (GCA) below 5.00x on a consistent basis.

Negative factors

- Decline in operating margin below 8% on a continuous basis and overall gearing above 3.50x.
- Elongation in operating cycle or stretch in working capital indicators.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that the operations of the company will continue to remain stable in the medium term, deriving benefits from the extensive experience of promoters in the corrugated box industry.

Detailed description of key rating drivers:

Key weaknesses

Moderately leveraged capital structure and debt coverage indicators.

Capital structure of the company is leveraged marked by an overall gearing ratio of 1.64x as of March 2024 (PY: 1.72x). The company has non-interest-bearing subordinated unsecured loan from related parties worth Rs 5.92 crores as of March 2024, which is treated as quasi equity. Debt coverage indicators are also moderate with a Total debt/GCA ratio of 9.21x (PY: 11.61x) and an interest coverage ratio of 1.98 (PY:2.01) in FY24.

Highly fragmented and competitive business segment due to presence of several players

The Indian packaging sector is known for its intense competitiveness, and RDBPL's expansion is intricately tied to the fortunes of the engineering industry in India. Moreover, the growth of the corrugated box packaging sector faces challenges due to the availability of alternative, more durable packaging materials such as plastic and tin. With developing importance on sustainable packaging solutions and eco-friendly material usage, speedier adoption and adaptability to green packaging solutions by the

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

company is critical to stay competitive to meet the demands of FMCG OEM customers. Consequently, the company is confronted with strong competition from other packaging manufacturers in the medium term.

Key strengths

Established track record and experience of the promoter for more than three decades in packaging Industry

The company originated as a partnership venture under the leadership of Bhagawan Doss Kuppuswamy in 1984, eventually transitioning into a private limited corporation in 2005. The company's functions are jointly overseen by Bhagavan Doss Kuppuswamy and his wife, Rajumala Bhagavan Doss, with additional support from functional department heads and other family members.

Long standing reputed customer base

The company's revenue is derived from three primary segments: Automotive, General (including lift and heavy equipment), and White Goods, each contributing around 30% to the total operating income (TOI), with the remainder coming from other sectors. Benefiting from the extended tenure of the company's promoters in the packaging industry, the company has built strong relationships with enterprises in these segments. RDBPL's clientele includes reputable client base which is spread across various Industries, such as FMCG, logistics, Automotive, Industrial Products, among others. Top five customers contribute around 61% of the TOI in FY24 (PY: 58%). While the customer base is moderately diversified, long-standing relationship with the customers mitigate the risk to some extent.

Improved scale and profitability margin

The company has witnessed a notable improvement in its scale over the past five years at a CAGR of 22%, though it operates at a moderate scale. In FY24 TOI grew at 9%, driven by the addition of new clients and increased capacity with steady utilization. During FY24, the company expanded its capacity by an additional 7,500 MTPA, bringing the total installed capacity to 37,500 MTPA, while maintaining the utilization rate of 60%. The PBILDT margin improved to 10.81% in FY24, up from 8.51% in the previous year, driven mainly by lower raw material cost and the cost optimization efforts undertaken by the company.

Liquidity: Stretched

Liquidity position is marked by its tightly matched cash accruals as against debt repayment obligations for FY25. The Company has cash & bank balances to the tune of Rs. 2.48 Crore as on March 31, 2024, and average utilization of working capital limits for the past twelve months ended October 2024 stood at 90%.

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Paper & Paper Products
Financial Ratios – Non financial Sector
Withdrawal Policy
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Forest Materials	Paper, Forest & Jute Products	Paper & Paper Products

RD Brown Box Packaging Private Limited (RDBPL) was initially established as a partnership firm by Bhagawan Doss Kuppuswamy and his spouse, Rajumala Bhagavandoss in the year 1984, in Chennai, Tamil Nadu. The firm was later reconstituted as a Private Limited Company in the year 2005. The entity is engaged in the manufacturing of corrugated boxes (packing material) for various industries with installed capacity of 37500 MT per annum as of March 2024.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)	H1 FY25 (UA)
Total operating income	72.82	79.10	46.00
PBILDT	6.19	8.55	NA
PAT	1.41	1.99	NA
Overall gearing (times)	1.72	1.64	NA
Interest coverage (times)	2.01	1.98	NA

A: Audited UA: Unaudited; NA: Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA:
RDBPL has not co-operated with CRISIL wherein it has classified the Issuer as 'non-cooperative' vide its press release dated February 14,2024. The reason provided by the CRISIL was non furnishing of sufficient information towards monitoring the ratings.

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	20.00	CARE BB; Stable
Fund-based - LT-Proposed fund based limits		-	-	-	0.00	Withdrawn
Fund-based - LT-Term Loan		-	-	31-12-2031	15.33	CARE BB; Stable
Non-fund-based - ST-ILC/FLC		-	-	-	4.00	CARE A4

Annexure-2: Rating history for 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-Cash Credit	LT	20.00	CARE BB; Stable	-	1)CARE BB-; Stable (25-Oct-23)	1)CARE BB-; Stable (18-Nov-22) 2)CARE B; Stable; ISSUER NOT COOPERATING* (17-Oct-22)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (27-Aug-21)
2	Fund-based - LT-Proposed fund based limits	LT	-	-	-	1)CARE BB-; Stable (25-Oct-23)	1)CARE BB-; Stable (18-Nov-22) 2)CARE B; Stable; ISSUER NOT COOPERATING* (17-Oct-22)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (27-Aug-21)
3	Fund-based - LT-Term Loan	LT	15.33	CARE BB; Stable	-	1)CARE BB-; Stable (25-Oct-23)	1)CARE BB-; Stable (18-Nov-22) 2)CARE B; Stable; ISSUER NOT COOPERATING* (17-Oct-22)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (27-Aug-21)
4	Non-fund-based - ST-ILC/FLC	ST	4.00	CARE A4	-	1)CARE A4 (25-Oct-23)	1)CARE A4 (18-Nov-22)	-

*Issuer did not cooperate; based on best available information.
LT: Long term; ST: Short term;

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

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Proposed fund-based limits	Simple
3	Fund-based - LT-Term Loan	Simple
4	Non-fund-based - ST-ILC/FLC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

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

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About us:
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