

## Pacific Bulk Bags Private Limited

April 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	15.00 (Reduced from 17.35)	CARE BB-; Stable	Reaffirmed
Short Term Bank Facilities	39.85 (Enhanced from 22.50)	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The ratings assigned to Pacific Bulk Bags Private Limited (PBBPL) continue to remain constrained on account of its modest scale, leveraged capital structure along with modest debt coverage indicators, and stretched liquidity. Ratings also take into account the implementation and stabilisation risks associated with the enhancement in the ongoing debt funded capex, risk related to volatility in raw material prices and foreign exchange rates, and company's presence in a competitive industry with limited bargaining power with suppliers.

Ratings, however, derive strength from its experienced promoters. Ratings also factor in the stable demand outlook for the Flexible Intermediate Bulk Container (FIBC) bags industry.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Increase in TOI above Rs.65 crore while improvement in PBILDT margin to 10% and above.
- Improvement in overall gearing to below 3x along with improvement in debt coverage indicators.

#### Negative factors

- Decline in PBILDT margin below 8% and TOI falling below Rs.30 crore.
- Any material deterioration in capital structure or debt coverage indicators from current levels.
- Any time or cost overrun in the ongoing capacity enhancement capex.

### Analytical approach: Standalone

#### Outlook: Stable

The stable outlook reflects CARE Ratings Limited's expectations that the rated entity shall continue to benefit from the experience of its promoters that shall enable it to maintain the envisaged operating performance over the near to medium term.

### Detailed description of key rating drivers:

#### Key weaknesses

##### Small scale of operations

PBBPL's total operating income (TOI) stood modest at Rs.43.58 crore in FY24, largely in line with FY23 (Rs.42.80 crore). During 11MFY25, company registered a TOI of Rs.43.18 crore. Profitability for the company stood moderate as marked by PBILDT margin of 8.62% in FY24 (FY23: 9.00%) and PAT margin of 1.32% (FY23: 0.96%), however with limited scale, gross cash accruals remained modest at around Rs.2.44 crore in FY24.

PBBPL has recently undertaken capacity expansion capex, which was concluded in August 2024. It also had plans for manufacturing food grade bulk bags, for which there has been an enhancement in the scope of capex. To implement the same, it is executing additional capex of Rs.8.50 crore, funded through term debt of Rs.5.80 crore and the balance through unsecured loans. Production of food grade bags is expected to commence by July 2025, and the same may lead to an improvement in TOI as well as profitability metrics for FY26.

### Leveraged capital structure with modest debt coverage indicators, along with ongoing debt-funded capacity expansion

Capital structure of PBBPL stood leveraged as marked by an overall gearing of 3.62x as on March 31, 2024 (5.12x as on March 31, 2023), primarily on account of a low net worth base of Rs.11.65 crore as on March 31, 2024 (Rs.5.31 crore as on March 31, 2023). Augmentation of net worth base was primarily on account of infusion of equity by promoters as well as subordination of unsecured loans based on bank confirmation.

Debt coverage indicators also stood moderate as marked by PBILDT interest coverage ratio of 1.31x during FY24 (FY23: 1.65x) and Total Debt to GCA of 17.27 years during FY24 (FY23: 12.92 years). With on-going debt-funded capacity expansion, capital structure is likely to remain moderately leveraged in the near to medium term. Timely implementation and stabilisation of the newly added capacity shall remain crucial from credit perspective.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

### **Risk related to volatility in raw material prices and foreign exchange rates**

The primary raw material required is Poly Propylene (PP)/Polyethylene (PE)/ High-density Polyethylene (HDPE) granules whose prices are linked with the crude oil prices. Crude oil prices are inherently volatile due to demand-supply dynamics along with other geo-political issues. Any change in the international crude oil prices has a direct impact on the prices of plastic granules which in turn impact the profitability as there is time lag in passing the price to end customers.

### **Presence in a competitive industry along with limited bargaining power with its suppliers**

Favourable government policies including various subsidies (like interest rate subsidy, capital subsidy, power subsidy etc.) has led to the entry of many new players in the FIBC bags industry, which has intensified the competition. The rising competition is also driven by the low entry barriers in terms of capital and technology requirements and limited product differentiation. Further, plastic granules (PP/PE/LDPE/HDPE) are the main raw material required in the manufacturing of the FIBC. There are limited domestic suppliers for the same, which results in limited bargaining power of PBBPL which currently sources all its raw material requirements from the domestic market.

### **Key strengths**

#### **Experienced promoters in the FIBC bags industry**

Promoters of PBBPL, Mr. Vishrut Agrawal and Mrs. Vijeta Agrawal, have an experience of more than a decade in the FIBC bags industry. Prior to the commencement of operations at PBBPL, the promoters worked in production, procurement, and marketing roles for companies engaged in manufacturing of FIBC bags. Subsequently, they started manufacturing and export of FIBC bags in 2013 under an entity named Vinayak Polymers and commenced operations in PBBPL from 2016 onwards.

#### **Steady demand outlook for the FIBC**

FIBCs are mainly preferred due to their ability to reduce the overall weight of the bulk packaging, enhanced performance in terms of durability, ease in handling and transportation of materials and better visibility. After China, India is one of the largest producers and exporters of FIBC in the world, due to low-cost labour and assured supply of plastic granules. Total FIBC exports (in value terms) from India grew at a compounded annual growth rate (CAGR) of 8% from ₹3,290 crore in FY15 to ₹6,500 crore in FY24 (Source: Export-Import data by Ministry of Commerce). Post declining during FY20 due to impact of COVID-19 pandemic, export subsequently recovered during FY21 and FY22 due to opening-up of the economy and strong pent-up demand. FIBC export sales from India, de-grew marginally by around 6% during FY24 over FY23 mainly due to slowdown in the demand from the export market with inflationary scenario. Globally, USA continues to be the largest market for total exports of FIBC from India constituting 27% of the total Indian exports in FY24 (FY22: 30%). Despite near term headwind in terms of demand slowdown from the export market, long-term outlook of the sector is stable with a requirement of reducing the overall weight of bulk packaging and increase the ease of transportation, among others.

#### **Liquidity: Stretched**

Liquidity position of PBBPL stood stretched as marked by high average utilization of working capital limits at 87% for past 12 months ended January 2025. Operating cycle of the company stood elongated at 141 days during FY24 (FY23: 113 days) mainly on account of higher inventory days of 120 days (FY23: 107 days). Further, the free cash and bank balance for the company stood at Rs.0.91 crore as of February 28, 2025. Repayments are tightly matched against accruals.

### **Applicable criteria**

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

### **About the company and industry**

#### **Industry classification**

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Industrial Products	Plastic Products - Industrial

Incorporated in 2005, Pacific Bulk Bags Private Limited (PBBPL) is engaged in the manufacturing of bulk packaging products viz. Flexible Intermediate Bulk Containers (FIBC), LDPE & HDPE liners, PP Woven Bags, BOPP bags, and PP Woven Fabrics at its manufacturing plant at Udaipur, Rajasthan with total manufacturing capacity of 2400 metric ton per annum (MTPA) as on March 31, 2024. The company is also setting up a second unit with a planned capacity of 2400 MTPA (effectively increasing the total capacity to 4800 MTPA) which will enable it to produce food grade bags and the same is expected to be operational by the end of July 2025.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	February 28, 2025 (UA)
Total operating income	42.80	43.58	43.18
PBILDT	3.85	3.76	5.43
PAT	0.41	0.57	NA
Overall gearing (times)	5.12	3.62	NA
Interest coverage (times)	1.65	1.31	1.71

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

**Status of non-cooperation with previous CRA:** Not applicable

**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 - ST-Bill Discounting/ Bills Purchasing		-	-	-	14.00	CARE A4
Fund-based - ST-Packing Credit in Foreign Currency		-	-	-	25.85	CARE A4
Term Loan-Long Term		-	-	October 2033	15.00	CARE BB-; Stable

#### 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 2025-2026	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
1	Fund-based - ST-Packing Credit in Foreign Currency	ST	25.85	CARE A4	-	-	1)CARE A4 (23-Feb-24)	-
2	Term Loan-Long Term	LT	15.00	CARE BB-; Stable	-	-	1)CARE BB-; Stable (23-Feb-24)	-
3	Fund-based - ST-Bill Discounting/ Bills Purchasing	ST	14.00	CARE A4	-	-	1)CARE A4 (23-Feb-24)	-

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 - ST-Bill Discounting/ Bills Purchasing	Simple
2	Fund-based - ST-Packing Credit in Foreign Currency	Simple
3	Term Loan-Long Term	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](mailto:care@careedge.in) for clarifications.

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### About us:

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