

JULY 08, 2016

CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES OF KNACK PACKAGING PRIVATE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	9.76	CARE BBB- (Triple B Minus)	Revised from CARE BB+ (Double B Plus)
Long-term/Short-term Bank Facilities	15.00	CARE BBB-/CARE A3 (Triple B Minus/A Three)	Revised from CARE BB+/CARE A4+ (Double B Plus/A Four Plus)
Total Facilities	24.76 (Rupees Twenty Four crore and Seventy Six lakh only)		

Rating Rationale

The revision in the ratings assigned to the bank facilities of Knack Packaging Private Limited (KPPL) is on account of volume-backed growth in its Total Operating Income (TOI) along with improved operating profit margins on the back of lower raw material costs and benefits derived from economies of scale. Furthermore, the ratings also factor in the improvement in KPPL's leverage position as on March 31, 2016 as a result of subordination of promoters' unsecured loans to bank debt and its moderate debt coverage indicators on account of healthy profitability margins which translated into higher cash accruals during FY16 (refers to the period April 1 to March 31).

The ratings further continue to derive strength from vast experience of the promoters in the flexible packaging industry and a diversified & reputed clientele base.

The ratings, however, continue to be constrained due to susceptibility of KPPL's profit margins to raw material price volatility, its exposure to forex fluctuation, working capital intensive nature of its operations and its presence in a highly competitive and fragmented flexible packaging industry.

The ability of KPPL to grow its scale of operations along with maintaining current profitability margins and capital structure would be the key rating sensitivities.

Background

Ahmedabad-based KPPL is engaged in manufacturing of high density polyethylene (HDPE)/ polypropylene (PP) woven fabrics & bags and multicolor printed biaxially-oriented polypropylene (BOPP) laminated woven bags. The bags manufactured by KPPL find application in packaging industry especially Food products (like Grains / Pulses), Fertilizers, Chemicals, Cement etc.

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

The promoter group consists of family members of Mr Alpesh and Mr Rashmin Patel. Most of the promoters have over two decades of experience in packaging business through their past ventures.

KPPL was initially incorporated in March 2013, however, its commercial production commenced from November 2013. KPPL operates with an installed capacity of 6,500 metric tonnes per annum (MTPA) from its sole manufacturing facility located at Mehsana, Gujarat.

During FY16, KPPL reported a TOI of Rs.135.02 crore (FY15: Rs.100.51 crore) with a PAT of Rs.4.48 crore (FY14: Rs.0.55 crore).

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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CIN - L67190MH1993PLC071691