

JULY 08, 2015

CARE REAFFIRMS RATINGS ASSIGNED TO BANK FACILITIES OF KNACK PACKAGING PVT. LTD.

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	13.30	CARE BB+ (Double B Plus)	Reaffirmed
Long-term/Short-term Bank Facilities	15	CARE BB+/CARE A4+ (Double B Plus/A Four Plus)	Reaffirmed
Total Facilities	28.30		

Rating Rationale

The ratings assigned to the bank facilities of Knack Packaging Pvt. Ltd. (KPPL) continue to remain constrained by KPPL's nascent stage of operations, susceptibility of its profit margin to raw material price volatility and exposure to forex fluctuation. The ratings are further constrained on account of KPPL's working capital intensive operations and its presence in a highly competitive and fragmented industry.

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

The ability of KPPL to increase its scale of operations along with improvement in its profitability and capital structure would be the key rating sensitivities.

Background

Incorporated in 2013 at Ahmedabad (Gujarat), KPPL is promoted by the Patel family to undertake manufacturing of high density polyethylene (HDPE)/ polypropylene (PP) woven fabrics & bags and multicolor printed biaxially-oriented polypropylene (BOPP) laminated woven bags. KPPL's ISO 9001:2008 certified manufacturing facility is located at Mehsana, Gujarat with an installed capacity of 6500 metric tonnes per annum (MTPA). Commercial production commenced from November 2013 and its products find application in packaging of rice, grains, pulses, fertilizers, chemicals, cement, animal food etc.

Based on FY15 (refers to the period April 1 to March 31) provisional results, KPPL reported a total operating income of Rs.100.63 crore (Rs.27.37 crore in FY14) with a PAT of Rs.0.99 crore (Rs.0.28 crore in FY14).

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

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

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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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