

Rajshree Polypack Limited
March 20, 2020

Rating

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	20.59	CARE BBB; Stable, ISSUER NOT COOPERATING (Triple B; Outlook: Stable, ISSUER NOT COOPERATING)	Rating revised from CARE BBB+; Stable (triple B Plus; Outlook: Stable) ISSUER NOT COOPERATING Based on best available information
Short term Bank Facilities	3.90	CARE A3, ISSUER NOT COOPERATING (A Three, ISSUER NOT COOPERATING)	Rating revised from CARE A3+ (A Three Plus) ISSUER NOT COOPERATING Based on best available information
Total Facilities	24.49 (Rs. Twenty Four Crore and Forty Nine Lakh Only)		

Details of instruments/facilities in Annexure-1

CARE has been seeking information from Rajshree Polypack Limited (RPL) to monitor the ratings vide e-mail communications/ letters dated January 03, 2020, January 13, 2020, January 20, 2020, February 17, 2020 & March 03, 2020 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on Rajshree Polypack Limited's bank facilities will now be denoted as **CARE BBB; Stable/ CARE A3; 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 have been revised on account of non-cooperation by RPL and CARE's efforts to undertake a review of the ratings outstanding. CARE views information availability risk as a key factor in its assessment of credit risk.

Detailed description of the key rating drivers:

As per press release on April 03, 2019, the following were the rating strengths and weaknesses. (Updated with latest financials FY19 (A) and H1FY20 (UA) available on company website)

Key Rating Strengths

Long track record of operation and experienced promoters: RPL is managed by Mr Ramswaroop Thard who has extensive experience in industry with rich domain knowledge. Furthermore, they are supported by experienced management team.

Established relations with reputed customers: RPL continues to receive repeat orders from reputed customer base namely Pepsico, Creamline Dairy Products Limited Hindustan Unilever Limited, Positive Packaging Industries Limited, Amul-Gujarat Co-operative Milk Marketing Federation, Nee yog Packaging and others as reflected from RPL's growing scale of operation and healthy order book position.

Healthy profit margin: The profit margins continue to remain healthy, however, PBILDT margin of the company declined from 18.73% in FY18 in FY18 to 16.49% in FY19. Furthermore, due to decline in PBILDT margin, net profit of company also declined to 8.25% in FY19 vis-a-vis 8.46% in FY18. However, the decline in the same was relatively lower due to increase in interest cost during the year.

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

Comfortable capital structure and debt coverage indicators: The overall gearing improved to 0.16x as on March 31, 2019 (vis-à-vis 0.44x as on March 31, 2018) on account of scheduled repayment of term debt along with accretion of profits to reserves and infusion of equity share capital amounting to Rs. 39.09 crore as on March 31, 2019. Furthermore, due to reduction in debt level on account of repayment of term loan, total debt /GCA has improved and stood comfortable at 0.98x in FY19 (vis-a-vis 1.43x in FY18). Further Interest coverage ratio also improved to 10.25x in FY19 (vis-à-vis 8.81x in FY18) on account of lower interest cost incurred in FY19.

Funds raised through IPO and private equity during FY19 for the capacity expansion project however project execution risk exists: RPL has raised total funds of Rs. 39.10 crore in FY19 through Initial public offerings (IPO) by issuing 29,60,000 shares of Rs. 120/- each amounting to Rs. 35.52 crore and through private Equity by issuing 2,97,393 shares of Rs. 120/- each of amounting to Rs. 3.58 crore with a view to expanding its manufacturing capacity to 15200 MT extrusion sheets per annum (from 10200 MT extrusion sheets per annum) at Factory Unit IV at Daman, India. Further, Company has entered into a Lease Deed with Gagan Packaging Private Limited for 16 years 9 months for constructing and setting up Factory Unit IV. Total cost of the project is Rs.36.24 crore which will be funded through funds raised from IPO. As on March 23, 2019; company has incurred expenses of Rs. 5.10 crore (14% of the total project cost) through proceedings from IPO. Construction work is started in January 2019 and unit IV is expected to be operational by January 2020. Thus going forward RPL's ability to complete the project in timely manner without any cost and time overrun shall be critical from credit perspective.

Key Rating Weaknesses

Relatively modest scale of operations: RPL's total operating income grew by 12.75% from Rs.112.95 crore in FY18 to Rs.127.35 crore in FY19. However given the high volume, low value added product, RPL's scale of operations continues to be relatively modest.

Working capital intensive nature of operations: RPL's working capital cycle stood stable at 68 days in FY19 vis-à-vis 69 days in FY18 primarily due to collection and inventory period remaining at same level in FY19.

Project execution risk: RPL has undertaken capacity expansion project wherein it is planning to set up Factory Unit IV (addition to Unit I, II and III) at Daman, India. This new manufacturing facility is proposed to focus on manufacturing of rigid plastic sheets and thermoformed packaging products. Further, Company has entered into a Lease Deed with Gagan Packaging Private Limited for 16 years 9 months for constructing and setting up Factory Unit IV. Total cost of the project is Rs.36.24 crore which will be funded through funds raised from IPO. As on March 23, 2019; company has incurred expenses of Rs. 5.10 crore (14% of the total project cost) through proceedings from IPO. Construction work is started in January 2019 and unit IV is expected to be operational by January 2020. Thus going forward RPL's ability to complete the project in timely manner without any cost and time overrun shall be critical from credit perspective.

Profitability margins exposed to volatility in raw material prices: The primary raw materials used by RPL for manufacturing of plastic containers are polypropylene and polystyrene. The prices of these raw materials are linked to crude oil prices & have therefore been volatile in past. Furthermore, RPL has practice of maintaining inventory of around one and half month which exposed its profitability margins to volatile raw material prices. Also given the relatively modest scale of operations, RPL has limited bargaining power with suppliers. However, this risk is partially mitigated as RPL has an understanding with some of its customer as per which the finished product prices are linked with fluctuation in raw material prices. This fact is also supported by the healthy profitability margins exhibited by RPL over the years.

Highly fragmented & competitive nature of industry: The flexible packaging industry is highly fragmented in nature on the account of low entry barrier both in terms of low initial capital investment and easy access to technology. The players with the established track record, reasonable size and with the focus on the improvement in the quality of packaging are able to re-negotiate the prices with the customers and would be able to cater to the rising demand for the consumption based sectors with the protection of margin.

Analytical approach: Standalone

Applicable Criteria:

[Policy in respect of Non-cooperation by issuer](#)
[Criteria on assigning Outlook to Credit Ratings](#)
[CARE's Policy on Default Recognition](#)
[Criteria for Short Term Instruments](#)
[Rating Methodology-Manufacturing Company](#)
[Financial ratios – Non-Financial Sector](#)

About the Entity

Established in 2003 as a partnership firm and later reconstituted into a private limited company in 2011, Rajshree Polypack Private Limited (RPPL) and then was converted into public limited company and named as Rajshree Polypack Limited (RPL) in August, 2017. The company is engaged in the manufacturing of thermoformed plastic containers for food products [viz. cups, plates, trays, containers, ice cream cups and others ranging from a capacity of 50 Millilitres (ml) to 1,000 Millilitres (ml)] under the brand name 'Natraj', 'Samrat', 'Satyam' for reputed FMCG and packaging clients namely Pepsico, Creamline Dairy Products Limited, Hindustan Unilever Limited, Positive Packaging Industries Limited and others.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)	H1FY20 (UA)
Total operating income	112.95	127.35	69.04
PBILDT	21.16	21.00	11.91
PAT	9.56	10.51	5.60
Overall gearing (times)	0.44	0.16	0.05
Interest coverage (times)	8.81	10.25	14.70

A: Audited, UA: Unaudited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not applicable

Rating History (Last three years): Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	9.12	CARE BBB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB+; Stable on the basis of best available information
Fund-based - LT-Cash Credit	-	-	-	6.50	CARE BBB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB+; Stable on the basis of best available information
Non-fund-based - ST-Letter of credit	-	-	-	2.00	CARE A3; ISSUER NOT COOPERATING*

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
					Issuer not cooperating; Revised from CARE A3+ on the basis of best available information
Non-fund-based - ST-Bank Guarantees	-	-	-	0.40	CARE A3; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3+ on the basis of best available information
Fund-based - ST-Bills discounting/ Bills purchasing	-	-	-	1.50	CARE A3; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3+ on the basis of best available information
Fund-based - LT-Term Loan	-	-	-	1.76	CARE BBB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB+; Stable on the basis of best available information
Fund-based - LT-Term Loan	-	-	-	1.21	CARE BBB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB+; Stable on the basis of best available information
Fund-based - LT-Cash Credit	-	-	-	2.00	CARE BBB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB+; Stable on the basis of best available information

*Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	9.12	CARE BBB; Stable; ISSUER NOT COOPERATING* Issuer not	1)CARE BBB+; Stable (03-Apr-	1)CARE BBB+; Stable (19-Jul-18) 2)CARE BBB+	1)CARE BBB+; Stable (12-Apr-	-

				cooperating; Revised from CARE BBB+; Stable on the basis of best available information	19)	(Under Credit watch with Developing Implications) (04-Apr-18)	17)	
2.	Fund-based - LT- Cash Credit	LT	6.50	CARE BBB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB+; Stable on the basis of best available information	1)CARE BBB+; Stable (03-Apr- 19)	1)CARE BBB+; Stable (19-Jul-18) 2)CARE BBB+ (Under Credit watch with Developing Implications) (04-Apr-18)	1)CARE BBB+; Stable (12-Apr- 17)	-
3.	Non-fund-based - ST-Letter of credit	ST	2.00	CARE A3; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3+ on the basis of best available information	1)CARE A3+ (03-Apr- 19)	1)CARE A3+; Stable (19-Jul-18) 2)CARE A3+ (Under Credit watch with Developing Implications) (04-Apr-18)	1)CARE A3+ (12-Apr- 17)	-
4.	Non-fund-based - ST-Bank Guarantees	ST	0.40	CARE A3; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3+ on the basis of best available information	1)CARE A3+ (03-Apr- 19)	1)CARE A3+; Stable (19-Jul-18) 2)CARE A3+ (Under Credit watch with Developing Implications) (04-Apr-18)	1)CARE A3+ (12-Apr- 17)	-
5.	Fund-based - ST- Bills discounting/ Bills purchasing	ST	1.50	CARE A3; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3+ on the basis of best available information	1)CARE A3+ (03-Apr- 19)	1)CARE A3+; Stable (19-Jul-18) 2)CARE A3+ (Under Credit watch with Developing Implications) (04-Apr-18)	1)CARE A3+ (12-Apr- 17)	-
6.	Fund-based - LT- Term Loan	LT	1.76	CARE BBB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating;	1)CARE BBB+; Stable (03-Apr- 19)	-	-	-

				Revised from CARE BBB+; Stable on the basis of best available information				
7.	Fund-based - LT-Term Loan	LT	1.21	CARE BBB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB+; Stable on the basis of best available information	1)CARE BBB+; Stable (03-Apr-19)	-	-	-
8.	Fund-based - LT-Cash Credit	LT	2.00	CARE BBB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB+; Stable on the basis of best available information	1)CARE BBB+; Stable (03-Apr-19)	-	-	-

*Based on best available information

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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