Rajshree Polypack Limited (Revised)
July 08, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	20.59	**CARE BB+, ISSUER NOT COOPERATING* (Double B Plus, ISSUER NOT COOPERATING)**	**Issuer Not Cooperating; Rating revised from CARE BBB; ISSUER NOT COOPERATING (Triple B; ISSUER NOT COOPERATING); Based on best available information**
Short-term Bank Facilities	3.90	**CARE A4+, ISSUER NOT COOPERATING* (A Four Plus, ISSUER NOT COOPERATING)**	**Issuer Not Cooperating; Rating revised from CARE A3; ISSUER NOT COOPERATING (A Three; 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

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated March 20, 2020, placed the rating(s) of Rajshree Polypack Limited (RPL) under the 'issuer non-cooperating' category as Rajshree Polypack Limited had failed to provide information for monitoring of the rating. Rajshree Polypack Limited continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter dated July 03, 2020. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion it is not sufficient to arrive at a fair rating.

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 decrease in total operating income on y-o-y basis, PBILDT and PAT margins in H2FY20 on y-o-y and half yearly basis,. CARE also views information availability risk as a key factor in its assessment of credit risk.

Detailed description of the key rating drivers

At the time of last rating on March 16, 2020, the following were the rating strengths and weaknesses. (Updated for the information available from National Stock Exchange):

Key Rating Weaknesses

Relatively modest scale of operations: RPL's total operating income stood at Rs.128.00 crore in FY20 and vis-à-vis Rs.127.35 crore in FY19. However, the same has decreased by 1.63% and 14.60% on y-o-y and half yearly basis respectively to Rs. 58.96 crore in H2FY20 However, given the high volume, low value added product, RPL's scale of operations continues to be relatively modest.

Deterioration in profit margins: The profit margins continue to remain healthy, however, PBILDT margin of the company marginally declined from 16.49% in FY19 in FY20 to 15.60% in FY20. Furthermore, due to decline in PBILDT margin, net profit of company also declined to 7.23% in FY20 vis-à-vis 8.25% in FY19. Moreover, PBILDT margin and PAT margin declined to 13.65% in FY20 and 6.21% in H2FY20 from 16.92% in FY19 and 9.04% in

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*
**Issuer did not cooperate; Based on best available information*

H2FY19 respectively. Further, during H2FY20, absolute PAT has decreased by 32.47% and 34.64% on y-o-y and half yearly basis respectively.

Working capital intensive nature of operations: RPL's working capital cycle continued to remain working capital intensive due to high collection and inventory period in FY20. Moreover, the liquidity position has also deteriorated marked by decrease in the cash and bank balance to Rs.26.80 crore as on March 31, 2020 as against Rs.34.97 crore as on March 31, 2019. The company has availed moratorium on term loan instalment provided by RBI under COVID-19 pandemic situation for the period from March 2020 to August 2020.

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 II) 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.

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, Neeyog Packaging and others as reflected from RPL's growing scale of operation and healthy order book position.

Comfortable capital structure and debt coverage indicators: The overall gearing improved to 0.02x as on March 31, 2020 (vis-à-vis 0.16x as on March 31, 2019) on account of scheduled repayment of term debt along with accretion of profits to reserves as on March 31, 2020. Furthermore, due to reduction in debt level on account of repayment of term loan, total debt /GCA has improved and stood comfortable at 0.13x in FY20 (vis-à-vis 0.98x in FY19). Further Interest coverage ratio also improved to 14.26x in FY20 (vis-à-vis 10.25x in FY19) on account of lower interest cost incurred in FY20.

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.

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 Company
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)	FY19 (A)	FY20 (A)
Total operating income	127.35	128.00
PBILDT	21.00	19.97
PAT	10.51	9.26
Overall gearing (times)	0.16	0.02
Interest coverage (times)	10.25	14.26

A: Audited

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

Rating History for 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 BB+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	6.50	CARE BB+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Letter of credit	-	-	-	2.00	CARE A4+; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantees	-	-	-	0.40	CARE A4+; 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
Fund-based - ST-Bills discounting/ Bills purchasing	-	-	-	1.50	CARE A4+; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	-	1.76	CARE BB+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	-	1.21	CARE BB+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	2.00	CARE BB+; Stable; ISSUER NOT COOPERATING*

**Issuer did not cooperate; 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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	9.12	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB; Stable; ISSUER NOT COOPERATING* (20-Mar-20) 2)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)
2.	Fund-based - LT-Cash Credit	LT	6.50	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB; Stable; ISSUER NOT COOPERATING* (20-Mar-20) 2)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 A4+; ISSUER NOT COOPERATING*	-	1)CARE A3; ISSUER NOT COOPERATING* (20-Mar-20)	1)CARE A3+; Stable (19-Jul-18) 2)CARE A3+	1)CARE A3+ (12-Apr-17)

						2)CARE A3+ (03-Apr-19)	(Under Credit watch with Developing Implications) (04-Apr-18)	
4.	Non-fund-based - ST-Bank Guarantees	ST	0.40	CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE A3; ISSUER NOT COOPERATING* (20-Mar-20) 2)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 A4+; ISSUER NOT COOPERATING*	-	1)CARE A3; ISSUER NOT COOPERATING* (20-Mar-20) 2)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 BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB; Stable; ISSUER NOT COOPERATING* (20-Mar-20) 2)CARE BBB+; Stable (03-Apr-19)	-	-
7.	Fund-based - LT-Term Loan	LT	1.21	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB; Stable; ISSUER NOT COOPERATING* (20-Mar-20) 2)CARE BBB+; Stable (03-Apr-19)	-	-
8.	Fund-based - LT-Cash Credit	LT	2.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB; Stable; ISSUER NOT COOPERATING* (20-Mar-20) 2)CARE BBB+;	-	-

						Stable (03-Apr-19)		

Issuer did not cooperate; 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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