Press Release

Sparsh Industries Private Limited (SIPL)

July 09, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	486.71 (reduced from 616.95)	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Rating Reaffirmed	Simple
Short Term Bank Facilities	84.00	IVR A4+ (IVR A Four Plus)	IVR A4+ (IVR A Four Plus)	Rating Reaffirmed	Simple
Total	**570.71**	**Rupees Five hundred and seventy crore and seventy-one lakh only**			

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rational

Infomerics Ratings has reaffirmed its rating assigned to the bank facilities of Sparsh Industries Private Limited (SIPL) with Stable outlook. The reaffirmation of the ratings continues to derive strength from improvement in scale of operations albeit thin profitability, moderate capital structure and comfortable leverage ratios, comfortable working capital cycle, and established market position along with long track record in packaging films business. However, the rating strengths are partially offset by weak debt protection metrics, with reliance on promoter loan infusion to maintain adequate liquidity and susceptibility of profitability to volatility in raw material prices. Infomerics also notes the cyclical and commoditized nature of industry, supplier concentration risk and intense competition as well as exposure to foreign exchange on account of exports.

The 'Stable' outlook reflects the improved industry scenario where the supply overhang has eased from FY25 (refers to the period from 1st April to 31st March) onwards, while demand in the flexible packaging industry is rising due to increased consumption of FMCG products. Additionally, Infomerics is of the view that the growing demand for aluminium foils will further support consistent improvement in scale of operations and EBITDA margins between 9% to 11% over projected period.

Key Rating Sensitivities:

Upward Factors

- Sustained revenue growth coupled with consistent improvement in profitability leading to self-sufficiency in debt servicing
- Growth in cash accruals and prudent working capital management
- Improvement in capital structure and debt protection metrics

Downward Factors

- Any significant decline in revenue and profit margin on a sustained basis
- Deterioration in debt protection metrics impacting the liquidity of the company
- Withdrawal of subordinated unsecured loans and/or moderation in the capital structure with deterioration in overall gearing

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Improvement in scale of operations albeit thin profitability**

During Covid period, the demand of flexible packaging material increased significantly as people preferred online delivery. Hence, the companies in packaging industry started implementing large capex from FY22 onwards to increase their installed capacity to meet the expected increase in demand post Covid. The incremental capacities came on-stream simultaneously between H2FY23-H1FY24, while the demand for packaging material was slightly muted in this period, leading to a substantial drop in realisations for plastic packaging film manufacturers. The company had to therefore sell its products at lower rate, leading to a decrease in average realizations and net loss in FY23 and FY24 due to industry wide overcapacity. However, the demand for flexible packaging especially aluminium foils, has started improving in the remaining eight months of 2023-24 as well as FY25, leading to increase in sales and average realisation in FY25(prov). The higher volume sales of aluminium foils particularly through exports in FY25 contributed significantly to increase in revenues for the year. SIPL has registered a CAGR of ~15% in total operating income to Rs. 1312.91 crore in FY25 (prov) as compared to Rs. 1208.88 crore in FY24 and Rs. 1233.91 crore in FY23. Consequently, EBITDA margins have improved in FY25 (prov) to 8.99% from 1.31% in FY24 and 5.74% in FY23. PAT margins have improved; however, they continue to remain thin at 0.05% in FY25 (prov) from negative 11.80% in FY24 and negative 10.76% in FY23.

- **Moderate capital structure and comfortable leverage ratios**

The adjusted tangible net worth was Rs. 453.07 crore at end FY25 (prov), as compared to Rs. 411.39 crore at end FY24 and Rs. 440.26 crore at end FY23. The net worth includes unsecured, subordinated promoter loans of Rs. 251.87 crore at end FY25 (prov), Rs. 211.06 crore at end FY24 and Rs. 94.95 crore at end FY23 treated as quasi equity. The bankers have also confirmed subordination of promoter loans to the bank debt. Total debt decreased to Rs. 652.91 crore as on March 31, 2025 (prov) from Rs. 733.85 crore March 31, 2024, and Rs. 792.38 crore as on March 31, 2023, due to decrease in working capital utilization and repayment of its long-term debt. The leverage ratios slightly improved in FY25 (prov) due to decrease in total debt. The overall gearing ratio was 1.44 times as on March 31, 2025 (prov) compared to 1.78 times as on March 31, 2024. Long-term debt equity ratio was 1.06 times as on March 31, 2025 (prov) vis-à-vis 1.27 times as on March 31, 2024. TOL/TNW was improved to 1.84 times as of March 31, 2025 (prov) compared to 2.26 times in FY24.

- **Comfortable working capital cycle**

The company's majority of sales are from the domestic market (83%). It has its presence all over India, however it is concentrated in 2-3 states i.e. ~49% comes from Uttar Pradesh and ~13% from Gujarat. Around 17% of the company's revenue comes by way of exports across the world majorly to countries in Europe, North America and the Middle East etc. Majority of the export sales are against site LCs and thus ensure immediate realization of the receivables. In the domestic market the company usually gives a credit period of 30 days, which may go up to 60-90 days for certain customers. The operating cycle of the company remained moderate at 55 days in FY25 (prov), compared with 52 days in FY24. The slight deterioration in operating cycle was due to increase in inventory days to 27 days in FY25 (prov) compared to 24 days in FY23 and increase in collection period to 50 days in FY25 (prov) from 46 days in FY24.

- **Established market position along with long track record in packaging films business**

SIPL has been in the business of manufacturing PET films since 2009. The promoter and Managing Director, Mr. Vijay Kumar Agarwal, has industry experience of over four decades and looks after the overall operations of the company. SIPL has increased its BOPET film capacity in a phase-wise manner over a period of time. The company has backward integrated and installed polyester chips manufacturing, and polyester film metalizing plants started from 2015. The company has further diversified its operations by setting up manufacturing of Aluminium Foil and Cast Polypropylene (CPP) film plants in 2018. The experience of the promoters has helped the company to establish healthy relationships with its customers and suppliers.

Key Rating Weaknesses

- **Weak debt protection metrics, with reliance on promoter loan infusion to maintain adequate liquidity**

Although the debt protection metrics of the company improved in FY25, but they are still weak. The interest coverage ratio was 1.67 times in FY25 (prov), as compared to 0.21 times in FY24. The debt service coverage ratio remained below unity at 0.90 times in FY25 (prov) and 0.22 times in FY24. To support cash flow mismatches and liquidity of the company, promoters and related parties infused unsecured loans which stood at Rs. 251.87 crore as on March 31, 2025 (prov) as compared to Rs. 211.06 crore as on March 31, 2024. The unsecured loans are treated as quasi equity and the same has been acknowledged by the banker. Hence, the company was able to service its debt repayments. The company was also able to completely repay 6 of its term loans totalling Rs. 145.00 crore in FY25, out of which 4 were repaid one year before their maturity date. Hence, Infomerics believes the company will continue to service its debt on timely basis in projected years.

- **Susceptibility of profitability to volatility in raw material cost and cyclical and commoditized nature of industry**

The major raw materials of the company are PTA: Purified Terephthalic Acid, MEG: Mono Ethylene Glycol and aluminium foil feed stock. SIPL's primary raw materials are derivatives of crude oil, making them susceptible to price volatility. Crude oil being volatile in nature, prices of its raw materials also remain volatile. Product realisations have fluctuated in the past depending on the demand-supply gap. Packaging films industry is cyclical in nature with bouts of demand and supply mismatches. In case of supply overhangs, product realisations are impacted due to commoditized nature of industry. The industry tends to add large capacities when prices improve leading to a situation of over-capacity vis-à-vis demand.

- **Supplier concentration risk and intense competition**

In FY25, the top 5 suppliers together accounted for approximately ~89% of total purchases, Higher supplier concentration increases vulnerability to supply chain disruptions, pricing power of suppliers, and potential operational risks if any of these suppliers encounter issues. The industry is characterized by presence of many players. Large, organized players offer products at more competitive prices, because of advantages of economies of scale and access to advanced technology. Also, the market has numerous small players that cater to local price-sensitive customers. Although high customization levels partially limit threat from imports, intense competition may continue to constrain scalability, pricing power, and profitability. In recent years, there is added competition from biodegradable packaging products which are preferred by companies wishing to reduce their carbon footprint.

- **Exposure to foreign exchange fluctuation risk**

The company is exposed to foreign exchange fluctuation risk due to its unhedged net receivables position after considering outgo on foreign currency loan and income in foreign currency from exports. The company has foreign currency loan of ~Rs. 88.00 crore as on March 31, 2025, under External Commercial Borrowings (ECB) with floating interest rates. While export revenue contributes ~17% of total sales in FY25, the absence of a formal hedging policy increases vulnerability to adverse currency movements, despite the company currently benefiting from INR depreciation against USD.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies.

Financial Ratios & Interpretation (Non-Financial Sector).

Criteria for assigning Rating outlook.

Policy on Default Recognition

Complexity Level of Rated Instruments/Facilities

Liquidity –Adequate

The liquidity position of the company is expected to remain adequate in the near term. GSAPL has earned a gross cash accrual of Rs. 52.77 crore in FY25 (prov.). Further the company is expected to earn gross cash accruals in the range of ~Rs. 85.00-118.00 crore annually as against its debt repayment obligations during FY26-28. The company demonstrated ~88% average fund-based capital utilisation during the past 12 months ended May 2025 indicating limited liquidity buffer. In FY25 (prov), SIPL's DSCR was below unity. However, the company was able to service its debt repayments by infusion of unsecured loans from promoters of ~Rs. 41.00 crore in FY25. The company was also able to completely repay 6 of its term loans in FY25, out of which 4 were repaid one year before their maturity date. Further the absence of any debt funded capex plan provides some comfort to the liquidity position.

About the Company

Sparsh Industries Private Limited incorporated in 2009 is engaged in the manufacture of polyester chips, polyester film, metalized polyester film, CPP film & aluminium foil which is used in flexible packaging, textiles, and food contact application besides electrical and other industrial applications. The promoters hold 66.80% of the shareholdings. SIPL's manufacturing units are located in Kanpur. The company caters to both domestic and international markets. Company has three BOPET film plants with a capacity of 1,12,820 MTPA, two polyester chips plants with a capacity of 1,58,400 MTPA, one Aluminium foil rolling plant with a capacity of 29,145 MTPA and two CPP plant with a capacity of 16,000 MTPA.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2024	31-03-2025
	Audited	Provisional
Total Operating Income	1208.88	1312.91
EBITDA	15.82	118.07
PAT	-144.78	0.68
Total Debt	733.85	652.91
Tangible Net Worth	411.39	453.07
EBITDA Margin (%)	1.31	8.99
PAT Margin (%)	-11.80	0.05
Overall Gearing Ratio (x)	1.78	1.44
Interest Coverage (x)	0.21	1.67

** Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: As per PR dated August 06, 2024, Brickworks Ratings continued the ratings under Issuer Not Cooperating' category due to non-submission of NDS and non-availability of information to monitor the ratings.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2025-2026)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-2025	Date(s) & Rating(s) assigned in T-2	Date(s) & Rating(s) assigned in in T-3
				July 09, 2025	April 20, 2024	-	-
1.	Term Loan	Long Term	313.71	IVR BB+/Stable	IVR BB+/Stable	-	-
2.	GECL	Long Term	4.59	IVR BB+/Stable	IVR BB+/Stable	-	-
3.	GECL Extn	Long Term	13.91	IVR BB+/Stable	IVR BB+/Stable	-	-
4.	Cash Credit	Long Term	154.50	IVR BB+/Stable	IVR BB+/Stable	-	-
5.	Export Packing Credit	Short Term	24.00	IVR A4+	IVR A4+	-	-
6.	Letter of Credit	Short Term	55.00	IVR A4+	IVR A4+	-	-

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2025-2026)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-2025	Date(s) & Rating(s) assigned in T-2	Date(s) & Rating(s) assigned in T-3
				July 09, 2025	April 20, 2024	-	-
7.	Credit Exposures Limit	Short Term	5.00	IVR A4+	IVR A4+	-	-

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About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	December 2026	22.58	IVR BB+/Stable
GECL	-	-	-	December 2025	2.56	IVR BB+/Stable
GECL Extn.	-	-	-	January 2028	7.02	IVR BB+/Stable
Cash Credit	-	-	-	-	97.50	IVR BB+/Stable
Term Loan	-	-	-	December 2030	30.61	IVR BB+/Stable
GECL	-	-	-	January 2026	0.60	IVR BB+/Stable
GECL Extn.	-	-	-	August 2028	4.98	IVR BB+/Stable
Cash Credit	-	-	-	-	47.00	IVR BB+/Stable
Term Loan	-	-	-	September 2030	20.11	IVR BB+/Stable
GECL	-	-	-	December 2025	0.39	IVR BB+/Stable
Cash Credit	-	-	-	-	10.00	IVR BB+/Stable
GECL	-	-	-	December 2025	1.04	IVR BB+/Stable

GECL Extn.	-	-	-	March 2028	1.91	IVR BB+/Stable
Term Loan	-	-	-	January 2031	82.34	IVR BB+/Stable
Term Loan	-	-	-	December 2029	31.19	IVR BB+/Stable
Term Loan	-	-	-	Sept 2031	25.80	IVR BB+/Stable
Term Loan	-	-	-	December 2027	13.37	IVR BB+/Stable
Term Loan	-	-	-	April 2030	87.71	IVR BB+/Stable
Export Packing Credit	-	-	-	-	24.00	IVR A4+
Credit Exposure Limit	-	-	-	-	5.00	IVR A4+
Letter of Credit	-	-	-	-	55.00*	IVR A4+

Annexure 2: Facility wise lender details
https://www.infomerics.com/admin/prfiles/Len-Sparsh-Industries-9july25.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Name of the Security		**Detailed Explanation**
	Financial Covenant	
	i.	
	ii.	
	Non-financial Covenant	
	i.	
	ii.	

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Name of the company/Entity	**Consolidation/Combined Approach**

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Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.