



Press Release

A B Polypacks Private Limited

December 18, 2023

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	50.00	IVR BBB-/ Stable (IVR triple B minus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	2.00	IVR A3 (IVR A three)	Assigned	Simple
Total	52.00 (INR fifty two crores only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of A B Polypacks Private Limited (ABPPL) has derived strength from the improving business risk profile of the company as reflected from its increasing revenue backed by the extensive experience of the promoters in the plastic packaging industry with well-established relationship with reputed clientele. The ratings also factors in the diversified product portfolio and the moderate level of working capital management of the company. However, these rating strengths are constrained due to relatively modest scale of current operations, moderately leveraged capital structure, intense competition and exposure to volatility in input cost.

Key Rating Sensitivities:

Upward Factors

- Significant and sustained growth in scale of operations with improvement in profitability and cash accruals
- Improvement in the capital structure and debt protection metrics on a sustained basis
- Managing working capital requirement efficiently leading to improvement in the operating cycle with improvement in liquidity.

Downward Factors



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- Decline in the revenue and/ or profits leading to an overall deterioration in the financial risk profile of the company
- Moderation in the capital structure and/ or coverage indicators
- Elongation in the operating cycle with moderation in liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Long track record of operations and experienced management**

ABPPL has a long operational track record of more than 15 years in the packaging industry. Further, the promoters, Mr. Chinmay Kumar and Mr. Mrinmay Kumar have been associated with the company since its inception and they possess experience of nearly three decades in the industry. The company's long track record of operations and the promoter's experience, their strong understanding of local market dynamics, and healthy relations with suppliers and customers will benefit the company going forward, resulting in steady growth in the scale of operations.

- **Reputed customer base across multiple industries coupled with diversified product portfolio**

The clientele of the company comprises reputed players such as Amul, Coca-Cola, Dupont Fertilizer, Emami Limited, Parle Agro Private Limited, Bisleri and Pidilite Industries Limited among others. This has resulted in increase in revenues over the years. Moreover, the company has a diversified product profile that includes plastic rigid sheets, various types of packaging products, varied size containers, cups and bottles made of 100 per cent food grade materials. The products find application in various end-user industries such as- food and beverages sectors.

- **Improvement in business risk profile driven by growth in revenue and profitability margins**

The company has achieved revenues of Rs. 175.56 Cr in FY2023 as compared to revenues of Rs.117.04 Cr in FY2022 and Rs. 80.13 Cr in FY2021. The top line has been growing at a compounded annual growth rate (CAGR) of 47.90 per cent during FY2021-FY2023. The substantial growth in revenue is primarily driven by increase in capacity,



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technological advancement of the machineries and increase in geographical reach. Further, ABPPL has already achieved a revenue of Rs.93.30 Cr during 30th September 2023 (provisional) vis-à-vis Rs. 90.66 Cr during 30th September 2022 (provisional).

Moreover, the operating margin has been volatile over the past three years, on account of fluctuations in material expenses. Major raw materials include high-density polyethylene, low-density polyethylene, and polypropylene for manufacturing industrial plastics, which are crude-oil derivatives and thus the prices for the same are fluctuating in nature, as it account for ~85 per cent of total production cost, even a slight variation in rates of raw materials drastically impacts the profitability. The EBITDA margin of the company increased marginally to 7.49% in FY2023 from 7.47% in FY2022 and PAT margin increased to 2.95% in FY2023 from 2.57% in FY2022. The RoCE levels for the company stood comfortable at 13.87% in FY2023 as against 18.67% in FY2022.

- **Moderate working capital management**

The working capital management of the company is moderate marked by the operating cycle at 59 days as on 31st March 2023 as compared to 64 days as on 31st March 2022. The operating cycle is predominantly driven by the moderate debtor and inventory level during the same period. The debtor period stood at 60 days as on 31st March 2023 as compared to 58 days in 31st March 2022. The moderate debtor level is on account of higher credit extended to customers. Further, the inventory holding stood at 46 days as on 31st March 2023 as compared to 49 days as on 31st March 2022. The moderately comfortable inventory level is primarily due to seasonality in most end in user segments. As the company significantly caters to beverage manufacturers, sales peak during summer, leading to substantial inventory holding. In addition to this, working capital requirement is partially supported by the creditor period, which stood at 48 days as on 31st March 2023 as compared to 43 days as on 31st March 2022. Going forward, the working capital management of the company will remain at similar levels as evident from the moderately high debtor level and inventory level.

Key Rating Weaknesses

- **Relatively modest scale of current operations**



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Despite the growth in revenue, the scale of operations of the company remains relatively modest. Infomerics expects that going forward the growth in the revenue while improving profitability margins will be a key rating factor.

- **Average financial risk profile buoyed by moderately leveraged capital structure**

The company has a moderately leveraged capital structure. The tangible net worth (TNW) of the company increased to Rs.23.29 Cr as on March 31, 2023, from Rs.18.05 Cr as on March 31, 2022 due to accretion of reserves. Further, gearing of the company stood moderate at 1.63x times as on March 31, 2023, as against 1.54x as on March 31, 2022 and the Total outside Liabilities/Tangible Net Worth (TOL/TNW) also stood high at 3.23x as on March 31, 2023, as against 2.98x as on March 31, 2022. The debt protection metrics of ABPPL stood comfortable marked by Interest Coverage Ratio at 2.81x as on March 31, 2023, and Debt Service Coverage Ratio at 2.24x as on March 31, 2023. The total debt/EBITDA stood comfortable at 2.89x as on March 31, 2023. Going forward, the financial risk profile of the firm will improve further with no major debt funded capex plans.

- **Intense competition in plastic packaging industry**

The plastic packaging industry is highly fragmented and the consequent intense competition from various players may continue to constrain scalability, pricing power and profitability. Further, the disintegrated nature of the Indian flexible packaging industry is predominantly on account of the low capital intensity, low entry barriers and easy availability of raw materials. High competition put pressure on margins thereby reducing bargaining powers with customers for players such as ABPPL. Further, raw material used in packaging is plastic granules the prices of which are fluctuating having direct impact on operating margins.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

Liquidity – Adequate



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The company will maintain adequate liquidity position going forward due to consistently increased accruals. The steady net cash accruals stood at Rs.8.38 Cr as on March 31, 2023 as against long term debt repayment of Rs.1.75 Cr over the same period. The cash and bank balances of the company stood at Rs.1.89 Cr as on March 31, 2023. However, the Current Ratio stood moderate at 1.06x as on March 31, 2023 and the Quick Ratio stood below average at 0.71x as on March 31, 2023. However, the average fund-based limit utilisation remains high at around 97 per cent over the six months ended October 2023, which depicts limited cushion.

About the Company

Incorporated in 2007, A B Polypapcks Private Limited (ABPPL) is a Kolkata based company engaged in the manufacturing of flexible packaging items such as multilayer film, shrink film, stretch film, laminated film, and pouches. ABPPL is promoted by Mr. Chinmay Kumar and Mr. Mrinmay Kumar. The company has its manufacturing unit located in Howrah, West Bengal with an installed capacity of 15000 MTPA. The company caters to clients in various industries such as Amul, Coca-Cola, Dupont Fertilizer, Emami Limited, Parle Agro Private Limited, Bisleri and Pidilite Industries Limited.

Financials: Standalone

(Rs. crore)

For the year ended* / As On	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	117.04	175.56
EBITDA	8.74	13.15
PAT	3.05	5.23
Total Debt	27.73	38.05
Tangible Net worth	18.05	23.29
EBITDA Margin (%)	7.47	7.49
PAT Margin (%)	2.57	2.95
Overall Gearing Ratio (x)	1.54	1.63

**Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA:

Acuite has moved the ratings to Issuer Non-Cooperating category on account of inadequate information and lack of management cooperation in the rating procedure despite repeated follow ups as per the Press Release dated March 21, 2023.



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Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loans	Long Term	8.36	IVR BBB-/ Stable	-	-	-
2.	Cash Credit	Long Term	25.00	IVR BBB-/ Stable	-	-	-
3.	Proposed Cash Credit	Long Term	13.00	IVR BBB-/ Stable	-	-	-
4.	Channel Finance	Long Term	3.64	IVR BBB-/ Stable	-	-	-
5.	Letter of Credit	Short Term	1.00	IVR A3	-	-	-
6.	Bank Guarantee	Short Term	1.00	IVR A3	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) 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



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

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan-1	-	-	December 2025	1.72	IVR BBB-/ Stable
Term Loan-2	-	-	November 2024	0.14	IVR BBB-/ Stable
Term Loan-3	-	-	February 2028	3.28	IVR BBB-/ Stable
Term Loan-4	-	-	February 2025	0.29	IVR BBB-/ Stable
Term Loan-5	-	-	March 2025	0.36	IVR BBB-/ Stable
Term Loan-6	-	-	February 2025	0.53	IVR BBB-/ Stable
Term Loan-7	-	-	February 2025	0.69	IVR BBB-/ Stable
Term Loan-8	-	-	March 2027	0.44	IVR BBB-/ Stable
Term Loan-9	-	-	February 2025	0.51	IVR BBB-/ Stable
Term Loan-10	-	-	February 2026	0.40	IVR BBB-/ Stable
Cash Credit	-	-	-	25.00	IVR BBB-/ Stable
Channel Finance	-	-	-	3.64	IVR BBB-/ Stable
Proposed Cash Credit	-	-	-	13.00	IVR BBB-/ Stable
Letter of Credit	-	-	-	1.00	IVR A3



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Bank Guarantee	-	-	-	1.00	IVR A3
				52.00	

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-AB-Polypacks-dec23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.

