



Press Release

Bright Packaging Pvt Ltd

April 12, 2023

Ratings

Sl. No.	Instruments/Facilities	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
1	Long Term Fund Based Facility – CC	8.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
2	Short Term Non-Fund Based Facility – BG	0.90	IVR A3 (IVR A Three)	Assigned	Simple
3	Short Term Non-Fund Based Facility – LC	0.10	IVR A3 (IVR A Three)	Assigned	Simple
	Total		9.00 (Rupees Nine Crore only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to Bright Packaging Pvt Ltd (BPPL) factors in the long-standing experience of the promoters, strong customer profile of the company and catering to diversified industries, consistent growth in Operating revenue, comfortable capital structure and debt coverage profile and location benefits with proximity to the suppliers.

The ratings, however, are constrained by reduced profitability due to one-time write-off in FY22, profit margins exposed to volatility in input material prices, presence in a fragmented industry structure with stiff competition.

Key Rating Sensitivities:



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- **Upward Factors**

Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals as envisaged.

Prudent management of cash conversion cycle and working capital requirements

- **Downward Factors**

Any deterioration in revenue and/or profitability leading to deterioration in the financial profile, especially liquidity, gearing and debt coverage metrics.

Stretch in the working capital cycle negatively impacting liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters and established track record of the company:**

BPPL has a long track record of 3.5 decades in the industry and is promoted by Mr. Ankit Bansal having an experience of about two decades in the PP sacks manufacturing industry. Long standing presence of the promoter in the industry has helped the company to establish a healthy relationship with its customers and suppliers.

- **Strong customer profile of the company and catering to diversified industries:**

The company has been catering to various leading players in the cement industry. List of clienteles include ACC Ltd, Ultra-Tech Cement Ltd, Tamilnadu Cements Corporation Limited etc. While earlier 80-90% of the revenue was coming from cement industry, now it has significantly gone down to ~15% and the company is currently catering to packaging of various industries like Fertilizers, Sugar, Rice, Flour, Cotton etc.

- **Consistent growth in Operating revenue of the company:**

Operating income for FY22 has increased to Rs. 141.48 crore (FY 21: Rs 124.99 Crore, FY 20: 107.87 Crore). Further, as per the management, the operating revenue till Jan 2023 stands at Rs. 170.31 crore.

- **Comfortable capital structure and debt coverage profile:**



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Overall gearing ratio continued to stay low and has further improved to 0.19x in FY22 from 0.48x in FY21 while Interest coverage ratio improved from 15.31x in FY21 to 19.61x in FY22. TOL/TNW stood low at 0.29x in FY22 (FY 21: 0.52x).

- **Location benefits with proximity to the suppliers:**

The company procures ~70% of the raw material from Mangalore Refinery and Petrochemicals Limited. BPPL's manufacturing unit in Mangalore benefits from being in close proximity to its suppliers, which results in minimizing the logistic costs to an extent.

Key Rating Constraints

- **Reduced profitability due to one-time write-off in FY22**

In FY22, Rs. 5.08 Cr is written off which includes Rs 2.30 Crore loss on sale of shares of Brightflexi International Pvt Ltd and Rs. 2.78 Crore of income tax credit written off pertaining to the period AY2008-09 to AY2014-15 resulting in negative PAT. However, GCA has improved from Rs 2.81 Crore in FY21 to Rs 6.30 Crore in FY22.

- **Profit margins exposed to volatility in input material prices:**

BPPL's profit margins remain exposed to sharp fluctuations in the price of its key raw materials. Volatility in polymer prices may impact the average realisation of woven sacks that adversely impact the profitability of the company.

- **Presence in a fragmented industry structure with stiff competition**

The company faces stiff competition from both organized and unorganized players in the packaging industry, which limits its pricing flexibility and bargaining power with customers, thereby exerting pressure on its revenues and margins.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of assigning Rating Outlook](#)



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Liquidity: Adequate

The liquidity position of the company is expected to remain adequate characterized by gross cash accruals of Rs.6.30 Crore in FY22. The current ratio and quick ratio remained adequate at 5.81x and 3.56x respectively as on March 31, 2022. The average working capital utilization of the company remained low at ~38% during the past 12 months ended Jan 2023. However, the company's cash and bank balance have been low at Rs.0.03 Crore as of March 2022. Operating Cycle remained moderate at 61 days in FY22.

About the Company

Bright Packaging Pvt Ltd (BPPL) was established in 1985. Located in Mangalore, Karnataka BPPL is a manufacturer in South India for PP/HDPE based Polywoven fabrics/sacks. They are having monthly capacity of producing 1000MT fabric / sacks and annually produce about 12cr bags. Currently they are supplying to leading cement companies and market leaders like Ultratech Cement Ltd, ACC Ltd for all their units located in South India. BPPL is also supplying to J K Cement Ltd, Ambuja Cement Ltd, Chettinad Cement Corporation Ltd to name few. Apart from this they are also catering to other industries like Fertilizers, Sugar, Rice and Flour etc. Mr. Ankit Bansal is the Managing Director of the company.

Financials (Standalone):

For the year ended* / As on	INR in Crores	
	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	124.99	141.48
EBITDA	3.34	7.74
PAT	1.42	-0.08
Total Debt	16.95	6.60
Tangible Net worth (Adjusted)	34.97	35.05
EBIDTA Margin (%)	2.67	5.47
PAT Margin (%)	1.13	-0.06



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Overall Gearing ratio (X) (Adjusted)	0.48	0.19
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**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Nil

Any other information: N.A.

Rating History for last 3 years:

Sr. No.	Name of Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding/Proposed (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	CC	Long Term	8.00	IVR BBB- / Stable	-	-	-
2.	BG	Short Term	0.90	IVR A3	-	-	-
3.	LC	Short Term	0.10	IVR A3	-	-	-

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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



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For more information visit www.infomerics.com

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Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
CC	-	-	-	8.00	IVR BBB-/ Stable
BG	-	-	-	0.90	IVR A3
LC	-	-	-	0.10	IVR A3

Annexure 2: List of companies considered for consolidated analysis: NA

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-BrightPackaging-apr23.pdf>

Annexure 4: Detailed explanation of covenants of the rated 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.