



## Press Release

### Mittal Technopack Private Limited

March 12, 2025

#### Ratings

Security / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities	65.97	IVR BBB-; Stable (IVR Triple B Minus with Stable outlook)	-	Assigned	Simple
Short Term Bank Facilities	12.85	IVR A3 (IVR A Three)	-	Assigned	Simple
<b>Total</b>	<b>78.82</b> <b>(Rupees Seventy- eight crore and eighty-two lakhs only)</b>				

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 Rationale

The ratings assigned to the bank facilities of Mittal Technopack Private Limited (MTPL) derives comfort from its experienced promoters with long operational track record and strategic location of the manufacturing facility with captive solar plant. The ratings also consider the company's stable business performance and moderate financial risk profile marked by moderate capital structure coupled with moderate debt protection metrics. However, these rating strengths are partially offset by the company's susceptibility of profitability to volatility in the prices of raw material, its exposure to foreign currency fluctuation risk and working capital intensive nature of operation.

The outlook is expected to remain stable on the back of expected satisfactory performance of the company underpinned by healthy demand of flexible intermediate bulk container (FIBC) bags in both export and domestic markets and satisfactory experience of the promoters.

#### Key Rating Sensitivities:

##### Upward Factors

- Growth in scale of operations with improvement in profitability on a sustained basis and consequent improvement in gross cash accruals
- Improvement in capital structure and/or improvement in debt protection metrics



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- Improvement in operating cycle leading to improvement in liquidity position of the company

### **Downward Factors**

- Decline in operating income and/or moderation in profitability on a sustained basis
- Moderation in capital structure with moderation in overall gearing to more than 1.5x and/or moderation in interest coverage ratio to below 1.2x
- Deterioration in working capital cycle

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Experienced promoters with long operational track record**

MTPL was promoted in 2002 by Mr. Ram Prasad Agarwal to manufacture woven sacks and flexible intermediate bulk container (FIBC) bags. The company has a strong presence for more than two decades in the flexible packaging industry. The promoter Mr. Agarwal also has vast business experience of more than four decades which supports the business risk profile to a large extent.

##### **Strategic location of the manufacturing facility with captive solar plant**

MTPL's manufacturing facility in West Bengal is located close to Kolkata and Haldia sea ports which provides ease for imports and exports and benefits in terms of lower transportation and logistics cost. Further the company has a solar power plant with a total capacity of 800 KW, which is being utilized for fulfilling the inhouse power consumption.

##### **Stable business performance with increase in profitability metrics**

MTPL's total operating income (TOI) witnessed a moderation of ~21% in FY23 (FY refers to the period from April 1 to March 31) to Rs.157.39 crore from Rs.200.69 crore in FY22 due to decline in demand in export market which was caused due to inventory correction in United States. However, In FY24 the TOI has witnessed a y-o-y growth of ~7% to Rs.168.57 crore driven by rise in volume sales from both domestic and international markets. The EBITDA margin improved from 3.41% in FY23 to 3.44% in FY24 driven by higher absorption of fixed overheads marked by rise in capacity utilisation. Furthermore, driven by improved absolute EBITDA, PAT margin has improved from 1.43% in FY23 to 1.71% in FY24. In 9MFY25, the company has achieved a revenue of Rs.121.96 crore.

##### **Moderate capital structure with moderate debt protection metrics**



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The capital structure of the company remained moderate as on the past three account closing dates. The debt profile of the company comprises term loan, working capital borrowings and unsecured loan from promoters and directors. The overall gearing ratio remained moderate at 1.42x as on March 31, 2024, improving from 1.59x as on March 31, 2023. The improvement in gearing is on account of decrease in amount of term loans as on balance sheet date. Further, the total indebtedness marked by TOL/ATNW also remained moderate at 2.10x as on March 31, 2024, improving from 2.39x as on March 31, 2023. The debt protection metrics as indicated by interest coverage ratio, continues to remain adequate at 1.30x in FY24 as against 1.49x in FY23. The slight moderation in ICR is on the account of increase in interest and finance charges in FY24. However, the Total debt to EBITDA and Total debt to NCA remained on the higher side at 10.68x & 10.76x respectively as on March 31, 2024 as compared to 12.07x & 10.53x respectively as on March 31, 2023.

### **Key Rating Weaknesses**

#### **Susceptibility of profitability to volatility in the prices of raw material**

The primary raw material for the company is polymer which is a crude oil derivative. As crude oil prices are highly volatile which in turn impacts the prices of plastic granules. Despite the correction in crude oil prices to an extent in the current year, MTPL's profitability remains exposed to any sudden adverse movements in its raw material prices that cannot be entirely passed on to the customers and thus can have a negative impact of the company's profit margins.

#### **Exposure to foreign currency fluctuation risk**

Exports, which are denominated in foreign currency, accounted for sizeable portion of the company's sales. Hence, any significant movement in the exchange rates could lead to volatility in the EBITDA margin. However, the company has been partially mitigating the risk involved in forex transactions through hedging.

#### **Working capital intensive nature of operation**

The operations of the company remained working capital intensive marked by its high working capital requirements. Further, the operating cycle of the company remained elongated mainly due to its long average inventory holding period owing to the very nature of the business mainly to avail the cost advantages from bulk buying and to ensure the availability and mitigate the price fluctuation of Polypropylene granules which are the key raw material needed to



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manufacture FIBC bags. Further, the GCA days of the company also remained high at 215 days in FY24.

**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](#)

[Criteria on complexity](#)

### **Liquidity – Adequate**

The liquidity position of the company is expected to remain adequate in the near term marked by improvement in the demand of its products in the overseas market. However, gross cash accruals of the company is expected to remain tightly matched with the debt repayment obligations. Moreover, with ~82% average fund based working capital utilisation in the past 12 months till December 2024 the company has a limited liquidity buffer. However, need based infusion by the promoters is expected to support the liquidity to an extent. Further, the company has moderate gearing headroom marked by the overall gearing ratio at 1.42x as on March 31,2024 indicating a moderate gearing headroom.

### **About the Company**

Incorporated in 2002, Mittal Technopack Private Limited (MTPL) is a leading manufacturer and international supplier of variety of jumbo bags, polymer woven sacks and woven fabrics. MTPL is a two-star export house mainly exporting to Europe, UK, USA, Australia, Canada, Israel, and Africa. MTPL was started by setting up a polymer woven bags and FIBC (jumbo bags) facility at Howrah, West Bengal. Currently, the company has total production capacity of 18000 MTPA.

### **Financials (Standalone):**

	(Rs. crore)	
For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	157.39	168.57
EBITDA	5.36	5.80
PAT	2.31	2.97
Total Debt	64.76	61.96



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Tangible Net Worth	47.24	50.21
Adjusted Tangible Net Worth	40.67	43.54
EBITDA Margin (%)	3.41	3.44
PAT Margin (%)	1.43	1.71
Overall Gearing Ratio (x)	1.59	1.42
Interest Coverage (x)	1.49	1.30

\* Classification as per Infomerics' standards.

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Nil

**Rating History for last three years:**

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-2025)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					-	-	-
1.	Term Loan	Long Term	0.97	IVR BBB-; Stable	-	-	-
2.	Cash Credit	Long Term	0.50	IVR BBB-; Stable	-	-	-
3.	EPC/PCFC/PSFC/FBD	Long Term	64.50	IVR BBB-; Stable	-	-	-
4.	Letter of Credit	Short Term	3.00	IVR A3	-	-	-
5.	LER/PSR/CEL/Forward Contract	Short Term	9.75	IVR A3	-	-	-
6.	Corporate Card	Short Term	0.10	IVR A3	-	-	-

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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).





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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.

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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	-	-	-	FY 2026	0.97	IVR BBB-; Stable
Cash Credit	-	-	-	-	0.50	IVR BBB-; Stable
EPC/PCFC/PSFC/FB D	-	-	-	-	64.50	IVR BBB-; Stable
Letter of Credit	-	-	-	-	3.00	IVR A3
LER/PSR/CEL/Forward Contract	-	-	-	-	9.75	IVR A3
Corporate Card	-	-	-	-	0.10	IVR A3

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Mittal-Technopack-mar25.pdf>



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

**Annexure 4: List of companies considered for consolidated/Combined analysis:** 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](http://www.infomerics.com).

