



**KANPUR
PLASTIPACK
LTD**

05th March, 2022

BSE Limited
Phiroze Jeejeebhoy
Towers, Dalal Street,
Mumbai 400 001

National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1,
G Block, Bandra – Kurla Complex, Bandra (East),
Mumbai 400 051

Scrip Code: **507779**

Trading Symbol: **KANPRPLA**

Dear Sir,

Sub.: Intimation Under Regulation 30(1) (Listing Obligation and Disclosure Requirements) Regulations 2015 – Revision in Credit Rating

Pursuant to Regulation 30(1) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015, this is to inform you that “**Crisil, Credit Rating Agency**” has upgraded the Credit Rating of the Company on various credit facilities availed by the Company as under :

Long Term Rating	CRISIL A- /Stable (Upgraded from 'CRISIL BBB+ / Positive' and outlook revised to 'Stable')
Short Term Rating	CRISIL A2+ (Upgraded from 'CRISIL A2 ')

The Company has received the email from Credit Rating Agency on 04th March, 2022. Copy of the Rating Rationale s attached herewith which is self explanatory.

Kindly take this on record and oblige.

Thanking you,

Yours Faithfully,
For **KANPUR PLASTIPACK LTD.**

(Ankur Srivastava)
Company Secretary

Encl: A/a



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Manufacturers & Exporters: HDPE/PP Circular
Woven Fabrics, Sacks and FIBCS/Jumbo Bags
Multifilament Yarn

ISO 9001:2015 ISO 22000 AIB BRC Certified
CIN L25209UP1971PLC003444

Kanpur Plastipack Limited

**Ratings upgraded to 'CRISIL A- / CRISIL A2+ '; outlook revised to 'Stable';
rated amount enhanced for Bank Debt**

Rating Action

Total Bank Loan Facilities Rated	Rs.292 Crore (Enhanced from Rs.265 Crore)
Long Term Rating	CRISIL A-/Stable (Upgraded from 'CRISIL BBB+ / Positive' and outlook revised to 'Stable')
Short Term Rating	CRISIL A2+ (Upgraded from 'CRISIL A2 ')

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has upgraded its ratings on the bank facilities of Kanpur Plastipack Ltd (KPL) to '**CRISIL A-/ Stable/CRISIL A2+**' from '**CRISIL BBB+/Stable/CRISIL A2**'.

The upgrade reflects a belief that the business risk profile of KPL will continue to improve, supported by optimal utilisation of the increased installed capacity, geographically diversified customer and supplier portfolios, and the recent rally in prices across the packaging industry. Sales worth Rs 458 crore has been reported for the first nine months of fiscal 2022 and should reach over Rs 600 crore by fiscal end, a 33% growth from sales worth Rs 452 crore in fiscal 2021; the operating margin remained stable at 11-13%.

The financial risk profile should continue to be healthy, despite capital expenditure (capex) of Rs 96.78 crore planned for the medium term.

The ratings continue to consider established market position of KPL, above-average operating efficiency and comfortable financial risk profile. These strengths are partially offset by exposure to intense competition in the packaging segment and limited diversification in revenue to few regions.

Analytical Approach: Not applicable

Key Rating Drivers & Detailed Description

Strengths:

Established market position because of growing overseas business

The market position of KPL is supported by a reputed clientele and steady repeat orders from them. The five-decade experience of the promoter in the packaging industry, his strong understanding of market dynamics and healthy relations with customers and suppliers should continue to support the business. Revenue reported a 44% growth to Rs 452 crore in fiscal 2021 (from Rs 319 crore in fiscal 2020) and is likely to rise by 33% on-year to over Rs 600 crore in fiscal 2022, driven by better realisation and higher utilisation of the installed capacity. Since the company also benefits from the recent rally in packaging material price and demand, sustenance of volume sales with similar capacity utilisation would remain a key rating monitorable.

Comfortable financial risk profile and operating efficiency

Gearing has remained around 1 time over the four fiscals through 2021, backed by strong accretion to networth with limited dividend payouts; gearing was around 0.9 time till the third quarter of fiscal 2022 and is expected at around 1 time over the medium term.

Debt protection metrics were adequate, with net cash accrual to total debt and interest coverage ratios of 0.24 time and 6.80 times, respectively, in fiscal 2021 (against 0.10 time and 2.38 times in fiscal 2020). The operating margin and return on capital employed were adequate at 13.61% and 18.59%, respectively, for fiscal 2021.

Financial risk profile should remain comfortable, despite the recently announced capex to set up a production line for manufacturing cast polypropylene film for which an additional term loan of Rs 62 crore is likely to be undertaken.

Weakness:

Exposure to intense competition

Of the 25-30 players in the flexible intermediate bulk container (FIBC) industry in India, only 10 have large capacities. Apart from competing among themselves, players face competition from Turkey (which benefits from proximity to the European Union). Turkey continues to be one of the largest exporters to Europe.

KPL is on an expansion phase with total installed capacity increasing to 25,300 as on March 31, 2021 from 19,100 as on March 31, 2020. The current infrastructure supports further expansion of capacities without major capex on the same. Going forward, sustenance of utilisation similar to 95-98% last year would be a key rating monitorable.

Limited diversification in revenue

The product-folio of the company comprises three segments: FIBC, fabrics, and multi-filament yarn. FIBC contributed for approximately 52% of the revenue in fiscal 2021; around 77% of the revenue came from exports during the fiscal. The company has a wallet share of 4-5% of India's total export of FIBC from India.

The top 10 customers contributed around 77% of total revenue in fiscal 2021 (around 74% in fiscal 2020). Further, sales to clients in Europe account for 55-65% of revenue, while that from North and South America accounted for 20-30% of revenue. Susceptibility to economic cyclicity in Europe & America continents and volatility in foreign exchange rates persists.

Liquidity: Strong:

Cash accrual is projected at Rs 38-40 crore per annum, sufficient to meet the debt obligation of Rs 12-17 crore over the medium term. Bank limit utilisation was moderate, at 55-60% for the 12 months through December 2021. Current ratio was 1.23 times on March 31, 2021

Outlook: Stable

CRISIL Ratings believes KPL will continue to benefit from the established market position and comfortable financial risk profile.

Rating Sensitivity factors

Upside scenario

- Sales growth of more than 40% with improvement in operating margin to over 13% resulting in higher-than-expected cash accrual
- Sustenance of working capital cycle and capital structure.

Downside scenario

- Decline in operating income by more than 15% or lower profitability leading to lower cash accruals
- Larger-than-expected debt-funded capital expenditure weakening the financial risk profile

About the Company

KPL was incorporated in Kanpur in July 1971 as a private limited company by Mr Mahesh Swarup Agarwal. It began operations by manufacturing high-density polyethylene woven fabric and sacks and plastic packaging materials; installed capacity was 130 tonne per annum. The company was listed on the Bombay Stock Exchange in December 1985. In fiscal 2004, KPL shifted focus to FIBCs from woven fabric and sacks.

Key Financial Indicators*

As on / for the period ended March 31		2021	2020
Operating income	Rs crore	451.99	319.15
Reported profit after tax	Rs crore	30.21	4.93
PAT margins	%	6.7%	1.54
Adjusted Debt/Adjusted Net worth	Times	1.01	0.83
Interest coverage	Times	6.68	2.38

*CRISIL Adjusted numbers

Status of non cooperation with previous CRA: Not applicable

Any other information: Not applicable

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity Levels	Rating assigned with outlook
NA	Cash Credit & Working Capital Demand Loan	NA	NA	NA	140.00	NA	CRISIL A-/Stable
NA	Working capital loan	NA	NA	NA	6.00	NA	CRISIL A-/Stable
NA	Long term loan	NA	NA	Dec-27	96.00	NA	CRISIL A-/Stable
NA	Cash credit	NA	NA	NA	5.00	NA	CRISIL A-/Stable
NA	Letter of Credit	NA	NA	NA	45.0	NA	CRISIL A2+

Annexure – List of entities consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Na	NA	NA

Annexure - Rating History for last 3 Years

Instrument	Current			2022 (History)		2021		2020		2019		Start of 2019
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	247.0	CRISIL A-/Stable		--	30-07-21	CRISIL BBB+/Positive / CRISIL A2	30-12-20	CRISIL A3+ / CRISIL BBB/Stable	25-01-19	CRISIL BBB+/Stable / CRISIL A2	CRISIL BBB+/Stable / CRISIL A2
			--		--		--	28-02-20	CRISIL A3+ / CRISIL BBB/Stable		--	CRISIL BBB+/Stable
Non-Fund Based Facilities	ST	45.0	CRISIL A2+		--	30-07-21	CRISIL A2	30-12-20	CRISIL A3+	25-01-19	CRISIL A2	CRISIL A2
			--		--		--	28-02-20	CRISIL A3+		--	--

All amounts are in Rs.Cr.

Annexure – Details of Bank Lenders/Facilities

Facility	Amount (Rs. Crore)	Name of Lender	Rating
Cash Credit	5	Axis Bank Limited	CRISIL A-/Stable
Cash Credit & Working Capital	140	State Bank of India	CRISIL A-/Stable

Demand Loan			
Letter of Credit	6	HDFC Bank Limited	CRISIL A2+
Letter of Credit	27	State Bank of India	CRISIL A2+
Letter of Credit	12	State Bank of India	CRISIL A2+
Long Term Loan	20	Axis Bank Limited	CRISIL A-/Stable
Long Term Loan	2	HDFC Bank Limited	CRISIL A-/Stable
Long Term Loan	43.38	State Bank of India	CRISIL A-/Stable
Long Term Loan	30.62	HDFC Bank Limited	CRISIL A-/Stable
Working Capital Loan	6	HDFC Bank Limited	CRISIL A-/Stable

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