Knack Packaging Private Limited

April 09, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	86.71 (Enhanced from 72.88)	CARE A-; Stable	Upgraded from CARE BBB+; Positive
Long-term / Short-term bank facilities	109.00 (Enhanced from 87.50)	CARE A-; Stable / CARE A2+	Upgraded from CARE BBB+; Positive / CARE A2
Short-term bank facilities	7.50 (Reduced from 15.00)	CARE A2+	Upgraded from CARE A2
Short-term bank facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Revision in ratings assigned to bank facilities of Knack Packaging Private Limited (KPPL) is considering growth in scale of operations and profitability and improvement in leverage and debt coverage indicators in FY24 (Audited, refers to period April 01 to March 31) and 9MFY25 (Provisional, refers to period April 01 to December 31). Ratings continue to derive strength from the vast experience of its promoters in manufacturing of woven fabrics & bags and multicolour printed biaxially oriented polypropylene (BOPP) laminated woven bags, KPPL's established operations with continuous upgrades of its manufacturing facilities, its diversified clientele and adequate liquidity.

However, ratings continue to remain constrained considering susceptibility of operating profitability to volatile raw material prices and foreign exchange rates and its presence in a highly competitive and fragmented woven sacks industry.

CARE Ratings Limited (CARE Ratings) has withdrawn the outstanding rating assigned to short-term bank facilities with immediate effect as there are no dues against the said facilities.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operation marked by total operating income (TOI) to over ₹850 crore, while maintaining healthy profit before interest, lease rentals, depreciation and taxation (PBILDT) margin of over 15% on a sustained basis.
- Improvement in its capital structure marked by overall gearing below 0.5x or total debt to PBILDT (TD/PBILDT) below 1x.

Negative factors

- Significant decline in scale of operation with TOI falling below ₹550 crore or deterioration in PBILDT margin below 12% on sustained basis.
- Deterioration in overall gearing above 1.2x, interest coverage below 5x and TD/PBILDT of over 3x.

Analytical approach: Standalone

Outlook: Stable

The 'Stable' outlook reflects CARE Ratings' expectation that the entity shall continue to benefit from its established presence in the industry accompanied by diversified clientele and experienced promoters, which shall enable it to sustain its comfortable financial risk profile in the medium term.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Detailed description of key rating drivers:

Key strengths

Growing scale of operations and profitability

KPPL's TOI grew sequentially at compound annual growth rate (CAGR) of ~22% for four years ended FY24. KPPL registered TOI of ₹652.38 crore in FY24 against ₹512.72 crore in FY23 reporting a growth of ~27% considering increase in sales volume (~32%) supported by capacity enhancement from 26640 MTPA to 36000 MTPA and increase in demand from newly added customers. In 9MFY25, KPPL reported TOI of ₹535.24 crore.

With substantial volume backed growth and increased sales of value-added products including pinch bottom bags, KPPL witnessed better absorption of overheads, leading to improved PBILDT margin at 15.08% in FY24 from 11.04% in FY23. PBILDT margin remained at 15.80% in 9MFY25. Consequently, profit after taxation (PAT) margin also improved to 7.04% in FY24 (PY: 4.44%), and 7.39% for 9MFY25. Going forward, CARE Ratings expects KPPL to maintain its scale of operations and healthy PBILDT margin above 15% owing to better sales mix and expected power cost savings after implementation of captive solar power project of 10.80 MW.

Improvement in capital structure and debt coverage indicators

Capital structure remained moderate marked by overall gearing of 1.14x as on March 31, 2024, against 1.16x as on March 31, 2023. However, overall gearing improved to 0.89x as on December 31, 2024, owing to increase in net worth due to accretion of profits to reserves and stable debt. KPPL had extended corporate guarantee to group entity Knack Energy Private Limited (KEPL) of ₹46.70 crore, however, per renewed sanction letter of KEPL, corporate guarantee has been released. Debt coverage indicators marked by interest coverage remained at 7.23x in FY24 against 6.17x in FY23 and total debt to gross cash accruals (TD/GCA) at 2.49x as on March 31, 2024, against 3.13x as on March 31, 2023. Interest coverage and TD/GCA remained at 7.02x and 1.56x respectively as on December 31, 2024. Going forward, with no major debt-funded capex envisaged, capital structure and debt coverage indicators are expected to improve.

Experienced promoter group

KPPL's promoter group consists of family members of Alpesh Patel, Rashmin Patel and Pravin Patel, who have been engaged in the woven sacks industry since 1993 through partnership and proprietorship firms. The promoter group is also engaged in other businesses including mining, construction and solar renewable energy through group entities. Key business functions are led by promoters and are supported by qualified and experienced functional teams.

Established operations with continuous upgradation of its manufacturing facilities

Started in 2013, KPPL is engaged in manufacturing high-density polyethylene (HDPE) / polypropylene (PP) woven fabrics & bags and multicolour printed biaxially oriented polypropylene (BOPP) laminated woven bags and pinch bottom bags. KPPL has focused on delivering high quality printing to its customers in domestic and export market. To propel its growth, KPPL undertook capex in FY24 towards capacity expansion from 26,640 MTPA to 36,000 MTPA by adding one, six side printing line for premium customers especially for export market, and the factory building construction. KPPL is planning to procure two pinch bottom machines and one lamination machine in FY26 totalling ~₹42 crore expected to be funded through internal accruals. Machineries will result in better realisation leading to improvement in operating margins. KPPL is under-going capex to set up 10.8 MW solar power plant at a cost of ₹38.50 crore expected to be commissioned from July 2025, which would help KPPL reduce its power costs going forward. Timely completion and realisation of envisaged benefits shall remain crucial.

Diversified clientele

KPPL has established relationship with its clients in diverse industries including grains, pulses, fertilizers, cements, and animal food. Over the years, KPPL has been able to secure repeat orders from them. KPPL also exports its products to clients in over 40 countries. In FY24, KPPL's client concentration remained moderate with top 10 customers forming ~42% of TOI against 32% in FY23.

Key weaknesses

Operating profit susceptible to raw material price volatility and foreign exchange rates

KPPL's key raw materials include HDPE/PP granules and plastic films, which it procures from domestic markets. These key raw materials, being derivatives of crude oil, make KPPL's operating profitability susceptible to volatility in crude oil prices. KPPL's exports constitute ~56% of its net sales in FY24 and 53% in 9MFY25. The company does not hedge its forex exposure, however, with dollar strengthening, KPPL has gained on forex in the last five years. In FY24, forex gain remained at ₹4.97 crore against ₹1.50 crore in FY23. In 9MFY25, KPPL reported forex gain of ₹2.68 crore.

Competitive and fragmented industry with low entry barriers

Poly woven sacks & fabric industry is highly fragmented with the presence of many unorganised regional players. Favourable government policies have led to the entry of many new players in this industry, which again intensifies competition. The intense competition is also driven by low entry barriers in terms of capital and technology requirements and limited product differentiation. Major factors that will drive growth in this industry are likely to be cost effectiveness and durability of HDPE / PP products, product innovation and consumers' awareness levels, and emerging multiple applications of these products in industries such as agriculture, automotive, healthcare, infrastructure, among others.

Liquidity: Adequate

KPPL has adequate liquidity marked by sufficient cushion available in its gross cash accruals against low debt repayment obligations, moderate cash flow from operations, liquidity ratios and operating cycle. KPPL is expected to generate cash accruals of ~₹90-95 crore against bank repayment obligations of ~₹18-22 crore per annum in FY26-27. Cash flow from operations stood at ₹34.96 crore in FY24 and ₹27.15 crore in FY23. The current ratio and the quick ratio remained adequate at 1.33x and 0.95x respectively as on March 31, 2024. KPPL had free cash and bank balance of ₹4.69 crore as on December 31, 2024. However, its average fund based working capital limit utilisation remained at ~88% for 12 months ended November 30, 2024, owing to working capital intensive operations. KPPL offers credit period of 45-60 days to its domestic customers and 90 days to its export customer. KPPL procures key raw material from Reliance Industries Limited, Oil and Natural Gas Corporation Limited, among others, to whom the payment is made within 5-7 days, while it gets credit period of ~15-30 days from other suppliers. KPPL also maintains sufficient raw material inventory for meeting prospective orders. The company's operating cycle remains at 79 days in FY24 against 74 days in FY23.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Withdrawal Policy
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Industrial Products	Plastic Products - Industrial

Incorporated in 2013, Ahmedabad based KPPL (CIN: U25200GJ2013PTC073847) is engaged in manufacturing high-density polyethylene (HDPE) / polypropylene (PP) woven fabrics & bags and multicolour printed biaxially oriented polypropylene (BOPP) laminated woven bags. These products find application in packaging industry, especially for food products (grains/pulses), fertilizers, chemicals, and animal food. KPPL had an installed capacity of 36,000 metric tonnes per annum (MTPA) for manufacturing poly woven bags and fabrics at its two manufacturing facilities at Mehsana and Indrad, Gujarat.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	512.72	652.38	535.24
PBILDT	56.61	98.35	84.57
PAT	22.75	45.95	39.55
Overall gearing (times)	1.16	1.14	0.89
Interest coverage (times)	6.17	7.23	7.02

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	30-04-2031	86.71	CARE A-; Stable
Fund-based - ST-Bill Discounting/ Bills Purchasing		-	-	-	0.00	Withdrawn
Fund-based - ST-EPC/PSC		-	-	-	7.50	CARE A2+
Fund-based/Non-fund-based-LT/ST		-	-	-	104.00	CARE A-; Stable / CARE A2+
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	5.00	CARE A-; Stable / CARE A2+
Non-fund-based - ST-Credit Exposure Limit		-	-	-	0.00	Withdrawn

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	86.71	CARE A-; Stable	-	1)CARE BBB+; Positive (22-Mar-24) 2)CARE BBB+; Stable (05-Apr-23)	1)CARE BBB+; Stable (05-Apr-22)	-
2	Fund-based/Non-fund-based-LT/ST	LT/ST	104.00	CARE A-; Stable / CARE A2+	-	1)CARE BBB+; Positive / CARE A2 (22-Mar-24)	1)CARE BBB+; Stable / CARE A2 (05-Apr-22)	-

						2)CARE BBB+; Stable / CARE A2 (05-Apr-23)		
3	Fund-based - ST-Bill Discounting/ Bills Purchasing	ST	-	-	-	1)CARE A2 (22-Mar-24) 2)CARE A2 (05-Apr-23)	1)CARE A2 (05-Apr-22)	-
4	Fund-based - ST-EPC/PSC	ST	7.50	CARE A2+	-	1)CARE A2 (22-Mar-24) 2)CARE A2 (05-Apr-23)	1)CARE A2 (05-Apr-22)	-
5	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	5.00	CARE A-; Stable / CARE A2+	-	1)CARE BBB+; Positive / CARE A2 (22-Mar-24) 2)CARE BBB+; Stable / CARE A2 (05-Apr-23)	1)CARE BBB+; Stable / CARE A2 (05-Apr-22)	-
6	Non-fund-based - ST-Credit Exposure Limit	ST	-	-	-	1)CARE A2 (22-Mar-24) 2)CARE A2 (05-Apr-23)	1)CARE A2 (05-Apr-22)	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - ST-Bill Discounting/ Bills Purchasing	Simple
3	Fund-based - ST-EPC/PSC	Simple
4	Fund-based/Non-fund-based-LT/ST	Simple
5	Non-fund-based - LT/ ST-Bank Guarantee	Simple
6	Non-fund-based - ST-Credit Exposure Limit	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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