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caprihans INDIA LIMITED

Date: March 22, 2022

The Secretary
BSE Limited
Dept of Corporate Services,
Phiroze Jeejeebhoy Tower
Dalal Street, Mumbai - 400 001.

Dear Sir/Madam,

Sub: Intimation regarding update in Credit Rating

Ref: Scrip Code No - 509486

Pursuant to Regulation 30(6) read with Schedule lll of SEBI (LODR), please find below revised rating as published by CARE Edge Ratings vide its press release dated March 22, 2022 (attached) :-

Facilities	**Amount (Rs. Crore)**	**Rating**	**Rating Action**
Long Term / Short Term Bank Facilities	41.75 (Enhanced from 1.00)	CARE A-; Stable / CARE A2+ (Single A Minus ; Outlook: Stable / A Two Plus)	Reaffirmed
Short Term Bank Facilities	48.25 (Enhanced from 25.25)	CARE A2+ (A Two Plus)	Reaffirmed
Total Facilities	**90.00 (Rs. Ninety Crore Only)**		

The same may please be taken on record. This information is also being uploaded on the Company website.

Thanking you

Yours faithfully
For Caprihans India Limited

Pritam Paul

Pritam Paul
CFO & Company Secretary

Encl: As above

Caprihans India Ltd

March 22, 2022

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term / Short-term Bank Facilities	41.75 (Enhanced from 1.00)	CARE A-; Stable / CARE A2+ (Single A Minus; Outlook: Stable / A Two Plus)	Reaffirmed
Short-term Bank Facilities	48.25 (Enhanced from 25.25)	CARE A2+ (A Two Plus)	Reaffirmed
Total Facilities	**90.00 (Rs. Ninety crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of the ratings assigned to the bank facilities of Caprihans India Limited (CIL) continues to derive strength from the long operational track record of CIL in the packaging industry, established procurement and distribution network in domestic and export markets, along with its long-standing relationship with well-established/reputed clientele base. Furthermore, the ratings also take into account the growth in revenues albeit moderation in profit margins resulting into stable cash flows on a y-o-y basis in 9MFY22 (refers to the period April 01 to December 31).

CARE Ratings Ltd takes note of the fact that the increase in raw material prices, particularly resins (a derivative of crude), and freight costs has resulted in the moderations in the operating profitability margins of the company as well as increased the working capital intensity of the business. CARE Ratings Ltd, however, believes that at the global level, the surge in the prices of input costs, i.e., resins which is a derivative of crude being mainly imported is temporary in nature and is a fall out of the geo-political tensions and the same is expected to ease out in the near to medium term. However, CARE Ratings Ltd would continue to monitor the situation closely and in case of worsening of the current situation impacting the credit risk profile of the company, the same may act as a negative sensitivity.

Moreover, the ratings continue to derive strength from company's strong financial risk profile supported by low overall gearing, comfortable debt coverage indicators and moderate working capital cycle.

However, the rating strengths are tempered by weak credit profile of promoter company, 'Bilcare', relatively small scale of operations, profitability margins susceptible to volatility in raw material prices, foreign exchange rates and to various government regulations. Furthermore, the ratings are tempered by intensified competition in the industry due to low entry barriers.

Outlook: Stable

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Improvement in the scale of operations above Rs.500 crore and profit before interest, lease rentals, depreciation and taxation (PBILDT) margins above 13% through increase in sales volumes and improvement in sales realisation on a sustained basis.
- Improvement in the operating cycle below 90 days on a sustained basis.

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Decrease in PBILDT margins below 4% owing to increase in the raw material prices or decrease in sales realisation on a sustained basis.
- Increase in the operating cycle above 120 days owing to increase in the working capital intensity on a sustained basis
- Deterioration in the gearing levels to above 0.35x.
- Sustenance of adequate liquidity through maintenance of funds of around Rs.30 crore.
- Significant deterioration in debt coverage indicators or liquidity parameters.

Key Rating Strengths

Well-established track record of the company in the packaging industry

CIL has been in the business of flexible polyvinyl chloride (PVC) products since 1957, thereby exhibiting a well-established track record of around six decades in the packaging industry. Over the years, the company has steadily expanded into decorative and industrial laminates, polystyrene sheets and plastic-corrugated sheets. It has diversified from flexible packaging products into manufacture of rigid PVC and polyvinylidene chloride (PVDC) films. The company caters to the packaging demand from pharmaceutical, fast-moving consumer goods (FMCG) and food industries. Besides, flexible PVC film and extruded products are used for a variety of other industrial applications. The company is managed by a nine-member Board having rich experience in the industry along with eminent and well-qualified professionals from relevant fields.

Established procurement and distribution network in domestic and export markets as well as reputed clientele

The company has established network for the procurement of raw materials and distribution of the packaging material domestically and to various countries in Asia, Africa and Europe. The exports contributed around 5.67% of the total income in FY21 (refers to the period April 1 to March 31). It has long-standing relationships with several of its customers and receives orders on a monthly basis. The company's manufacturing facilities are current good manufacturing practices (cGMP)-compliant and it has been able

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

to maintain its customer base among its international buyers. The company has location advantage as its plants as well as most of the customer base- pharmaceutical and FMCG companies are in western India. The company has a very strong network, and the western zone contributes about 50% of the total domestic sales.
CIL also has a diversified and reputed clientele base. The company has a low customer concentration risk as its top 10 customers contribute about 20% of its revenues in FY21. During 9MFY22, its top 10 customers contribute around 36% of its revenues. Besides, the company has long-standing relationship for its products with FMCG and pharma players.

Growth in the revenues albeit moderation in operating profit margins leading to steady cash accruals in 9MFY22
The company revenue from operations grew by 3.84% in FY21, mainly on account of increase in the sales realisation. Being into manufacturing company, the operations of CIL of Thane plant was shut due to lockdown during the Q1FY21. However, the Nasik plant continued to remain operational with manpower constraints. Furthermore, the production was in full capacity from July 2020 in phase-wise manner, and hence, the total operating income of the company has increased from Rs.291.42 crore in FY20 to Rs.302.62 crore in FY21. Further, in 9MFY22 (from April 2021 to December 2021), CIL posted a revenue of Rs.282.39 crore as compared with Rs.215.34 crore in 9MFY21.
The company's PBILDT margins improved significantly from 4.68% in FY20 to 9.50% in FY21. Furthermore, the profit after tax (PAT) margins improved from 3.16% in FY20 to 6.68% in FY21 in line with the PBILDT margin. The margins had improved as the company benefitted from the lower input costs as there was a shift in the raw material sourcing from domestic suppliers to imports from Europe, Japan, and USA, which benefited CIL to get the material at lower price. However, during 9MFY22, the company has witnessed moderation in PBILDT margins at 6.73% owing to increase in the input prices, i.e., raw material costs and freight charges in the wake of geo-political unrest. The PAT margin stood at 6.73% and 4.23% in 9MFY22. However, the same is expected to ease out once the situation returns to normalcy. CARE Ratings Ltd would continue to monitor the situation and further significant deterioration in the profit margins impacting the cash flows or liquidity is a key rating sensitivity.

Strong financial risk profile characterised by low gearing levels and comfortable debt coverage indicators
As on March 31, 2021, CIL has no long-term debt and has utilised its fund-based working capital facility minimally till date. The company relies more on non-fund-based Letter of Credit (LC) facilities for procurement of raw materials; however, with substantial increase in the raw material prices in past six months, CIL has to utilise higher non-fund-based limits to support the operations. The overall gearing of CIL though deteriorated from 0.13x as on March 31, 2021, to 0.23x as on December 31 2021; yet the same is considered to remain at lower levels. The PBILDT/ interest coverage ratio stood at 31.82x and total debt/ gross cash accruals stood at 0.90x, respectively, during FY21. During 9MFY22, the PBILDT/ interest coverage ratio stood healthy at 29.26x and total debt/ gross cash accruals stood at 2.69x, respectively. Going forward, significant deterioration in the overall gearing owing to higher reliance on bank borrowings as a result of increase in working capital intensity is a key rating sensitivity.

Key Rating Weaknesses
Margins exposed to volatility in raw material prices and foreign exchange rates
PVC resin is the main raw material for CIL. The resins being crude oil derivative, resin prices are linked with crude oil prices. Additionally, certain grades of resin are also imported from Korea / Japan. Thus, prices of resin are also susceptible to the volatility in foreign exchange rates. Thus, commodity price and foreign exchange fluctuation are significant risks to the profitability of the company.

Low entry barriers and imports leading to intense competition
The PVC packaging industry has low entry barriers leading to large number of small-sized players in the sector; thus, increasing the intensity of competition in the industry. Access to modern technology has improved, enabling advanced set ups by new players. Many small units set up plants near the premises / plant of the user company to save transportation costs. User companies require higher level of customisation across packaging products. CIL also faces challenges from the increased competition from imports. However, CIL supplies majorly to pharma companies which are highly regulated sector; thus, providing lesser competition to an extent from players of packaging industry. Also, CIL is increasing its focus on PVDC segment which is a value-added product to further cater to the pharma companies.

Susceptible to various government regulations
The pharmaceutical and food industry are major customers of the packaging industry. As both the user industries pertain to health and general well-being of the people at large, government regulations pertaining to packaging used in both these industries are very strictly implemented. Often, regulations relating to use of several packaging materials for these two industries are modified by the government from time-to-time, impacting the manufacture and sale of packaging products.

Adequate Liquidity
Presently, the liquidity is available in the form of utilised bank limits of Rs.0.98 crore, and as on date, the company has free cash and bank balance of around Rs.4 crore. Besides, Rs.35 crore is with banks given as collateral for LC availed against 100% FD. CARE Ratings Ltd takes cognizance of the fact that the company is in the process of availing higher non-fund-based and fund-based facilities with interchangeability option with the lender by end of March 31, 2022, and once the banks limits are sanctioned, FD of Rs.30 crore is expected to be released and therefore the liquidity is expected to be restored. Thus, with liquidity of around Rs.4.98 crore, no term liability and additional limits are expected to be in place by end of March 31, 2022, the liquidity at the moment seems to be adequate.

Analytical approach: Standalone.

Applicable criteria:
CARE's Policy on Default Recognition
Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings
Rating Methodology – Manufacturing Companies
Criteria for Short Term Instruments
Financial ratios – Non-Financial Sector
Liquidity Analysis of Non-Financial Sector Entities

About the Company
CIL was incorporated as a privately held company on April 11, 1946, and was listed on the Bombay Stock Exchange in 1976. The company is among the prominent players in rigid packaging. CIL's manufacturing units are located in Thane and Nasik, Maharashtra. The company is engaged in the processing of plastic polymers and manufactures rigid and flexible polyvinyl chloride (PVC) films by calendaring process poly vinylidene chloride (PVDC)-coated rigid PVC film and certain plastic products through extrusion process in India.
CIL started K1 Flexible PVC films (brand: Sunflex) at Thane factory in 1957. The company expanded into decorative and industrial laminates, rigid PVC and PVDC films, high impact polysterene sheets (by extrusion), sheet manufacturing from other polymers and plastic corrugated sheets at its manufacturing facilities. In two phases, CIL added PVDC coating lines at Nasik in 2004-07. It is current good manufacturing practices (cGMP) compliant.
The rigid PVC film produced by CIL is used for packaging in the pharmaceutical, food and fast moving consumer goods (FMCG) industries; and flexible PVC film and plastic-extruded products are used for a variety of industrial and consumer applications. The company is a lead player in the manufacture of certain pharma industry-specific packaging (duplex and triplex layers of packaging), which has high margins.
CIL is presently promoted by Bilcare Research GmbH (the German unit of Bilcare Ltd, holds 51% stake) and by Indian promoters Mr Mofatraj Munot of the Kalpataru group and related/associated entities).

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)	9MFY22(UA)
Total operating income	291.42	302.62	282.39
PBILDT	13.65	28.74	19.02
PAT	9.20	20.22	11.95
Overall gearing (times)	0.07	0.13	0.23
Interest coverage (times)	17.05	31.82	29.26

A: Audited; U/A= unaudited

Status of non-cooperation with previous CRA: Not Applicable
Any other information: Not Applicable
Disclosure of Interest of Independent/Non-Executive Directors of CARE: Not applicable
Disclosure of Interest of Managing Director & CEO: Not applicable
Rating History for last three years: Please refer Annexure-2
Covenants of rated instrument / facility: Annexure-3
Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT/ ST-CC/Packing Credit		-	-	-	41.75	CARE A-; Stable / CARE A2+
Non-fund-based-Short Term		-	-	-	48.25	CARE A2+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT/ ST-CC/Packing Credit	LT/ST *	41.75	CARE A-; Stable / CARE A2+	1)CARE A-; Stable / CARE A2+ (07-Oct-21)	1)CARE A-; Negative / CARE A2+ (06-Oct-20)	1)CARE A-; Negative / CARE A2+ (03-Oct-19)	1)CARE A-; Stable / CARE A2+ (17-Sep-18)
2	Non-fund-based-Short Term	ST	48.25	CARE A2+	1)CARE A2+ (07-Oct-21)	1)CARE A2+ (06-Oct-20)	1)CARE A2+ (03-Oct-19)	1)CARE A2+ (17-Sep-18)

** Long Term / Short Term*

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities

Name of the Instrument	Detailed explanation
A. Financial covenants	
i. Drawing limits of Cash Credit	The drawing shall be restricted to DP(within the sanction limit or operating limit arrive at on the basis of QMR) arrived at basis of paid stocks and eligible outstanding book debt subject to retaining the stipulated margin.
B. Non-financial covenants	
i. Amalgamation/Restructuring/Expansion	Company should inform bank about: ▪ Any change effected in their capital structure ▪ Any scheme of amalgamation or reconstruction formulated by company ▪ Any new project or expansion undertaken by company

Annexure 4: Complexity level of various instruments rated for this Company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT/ ST-CC/Packing Credit	Simple
2	Non-fund-based-Short Term	Simple

Annexure 5: Bank Lender Details for this Company

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

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

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About CARE Ratings:
Established in 1993, CARE Ratings Ltd is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.
With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

****For detailed Rationale Report and subscription information, please contact us at** www.careedge.in