

25<sup>th</sup> March, 2023

**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 downgraded the Credit Rating of the Company on various credit facilities availed by the Company as under :

Long Term Rating	'CRISIL BBB+/Stable' (downgraded from 'CRISIL A-/Stable')
Short Term Rating	'CRISIL A2 ' (downgraded from 'CRISIL A2+')

On the request of the Company to withdraw the ratings, CRISIL has re-evaluated and simultaneously withdrawn its ratings.

The Company has received the email from Credit Rating Agency on 24<sup>th</sup> March, 2023. Copy of the Rating Rationale is attached herewith which is self explanatory.

D19-20 Panki Industrial Area, Kanpur - 208022, India  
tel.no: +91 (512) 2691113-116 | fax: +91 (512) 2691117  
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**Manufacturers & Exporters: HDPE/PP Circular  
Woven Fabrics, Sacks and FIBCS/Jumbo Bags  
Multifilament Yarn**

CIN L25209UP09UP1971PLC003444

ISO 9000:2008 ISO 22000 AIB BRC Certified



Currently the company has Credit Rating with “**Acuite, Credit Rating Agency**” which is as under:

Long Term Rating	<b>ACUITE A-</b> (With Stable Outlook)
Short Term Rating	<b>ACUITE A2+</b>

Kindly take this on record and oblige.

Thanking you,

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

(Ankur Srivastava)  
Company Secretary

**Encl:** A/a

D19-20 Panki Industrial Area, Kanpur - 208022, India  
tel.no: +91 (512) 2691113-116 | fax: +91 (512) 2691117  
email: [info@kanplas.com](mailto:info@kanplas.com) | web: [www.kanplas.com](http://www.kanplas.com)

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# Kanpur Plastipack Ltd

## Ratings downgraded to 'CRISIL BBB+/Stable/CRISIL A2', withdrawn

### Rating action

<b>Total bank loan facilities rated</b>	<b>Rs 366.6 crore</b>
<b>Long-term rating</b>	<b>'CRISIL BBB+/Stable' (downgraded from 'CRISIL A-/Stable'; withdrawn)</b>
<b>Short-term rating</b>	<b>'CRISIL A2 ' (downgraded from 'CRISIL A2+'; withdrawn</b>

*Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.*

*1 crore = 10 million*

*Refer to annexure for details of instruments and bank facilities*

### **Detailed rationale**

CRISIL Ratings has downgraded its ratings on the bank facilities of Kanpur Plastipack Ltd (KPL) to '**CRISIL BBB+/Stable/CRISIL A2**' from '**CRISIL A-/Stable/CRISIL A2+**' and simultaneously **withdrawn** the ratings at the company's request and on receipt of a no-objection certificate from its banker. This is in line with the CRISIL Ratings policy on withdrawal of bank loan ratings.

The rating downgrade reflects the continuous deterioration in the business risk profile of KPL. Revenue declined to Rs 365 crore for the first nine months of fiscal 2023 from Rs 456 crore in the corresponding period of fiscal 2022 because of slow order flow from Brazil, which accounts for 25-30% of exports. The operating margin declined to 4.09% from 8.67% due to increase in raw material prices and utilisation of inventory procured at a higher cost. The revenue for fiscal 2023 is expected at Rs 510-520 crore.

The downgrade also factors in the weakening financial risk profile and liquidity due to continuous low profitability. While cash accrual may be insufficient to meet term debt obligation in fiscal 2023, timely receipt of state subsidy and cash reserve support the liquidity.

The ratings continue to consider the established market position of KPL and the extensive experience of its promoter in the packaging industry. The strengths are partially offset by exposure to intense competition in the packaging segment and limited diversification in revenue.

**Analytical approach:** Not applicable

### **Key rating drivers and detailed description**

#### **Strengths:**

#### **Established market position and extensive experience of the promoter:**

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. The market position of KPL is supported by its reputed clientele and steady repeat orders from them. The company generates more than 70% of revenue from exports, and the Russia-Ukraine war and low order flow from Brazil has affected its revenue and market position. Timely and successful commercialisation of the cast polypropylene (CPP) plant (expected by July 2023) remains a key monitorable.

#### **Weaknesses:**

**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 themselves, the players face competition from Turkey (which benefits from proximity to the European Union and is one of the largest exporters to Europe).

**Limited diversification in revenue:** The product portfolio of KPL comprises three segments: FIBC, fabrics, and multi-filament yarn. FIBC contributed ~46% to the revenue in fiscal 2022, with exports accounting for ~71%. The top 10 customers contributed 40% to total revenue during the fiscal. Sales to clients in Europe accounted for 55-65% of revenue and North and South America for 20-30%. KPL remains susceptible to economic cyclicality in Europe and America and volatility in foreign exchange rates.

**Liquidity: Adequate**

Liquidity remains adequate supported by moderate utilisation of fund-based bank limit, at 70-75% for the 12 months through January 2023. Cash accrual is expected at Rs 12-15 crore in fiscal 2023 which will be insufficient to meet term debt obligation of Rs 17-18 crore. However, timely receipt of state subsidy and cash reserve support the liquidity risk profile. Expected net cash accrual of Rs 20-25 crore each in fiscals 2024 and 2025 will be sufficient to meet the annual debt obligation.

**Outlook: Stable**

CRISIL Ratings believes KPL will continue to benefit from its established market position in the packaging industry.

**Rating sensitivity factors**

**Upward factors:**

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

**Downward factors:**

- Decline in operating income by more than 15% or decline in profitability leading to lower cash accrual
- 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. It has installed capacity of 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		2022	2021
Operating income	Rs crore	626.77	451.99
Reported profit after tax	Rs crore	26.21	30.21
PAT margin	%	4.18	6.7%
Adjusted debt/adjusted networkth	Times	1.02	1.01
Interest coverage	Times	4.37	6.68

*\*CRISIL Ratings adjusted numbers*

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

CRISIL Ratings complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure – Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities – including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

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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 level	Rating assigned with outlook
Na	Cash credit & working capital demand loan	NA	NA	NA	140	NA	Withdrawn
Na	Working capital loan	NA	NA	NA	6	NA	Withdrawn
Na	Long-term loan	NA	NA	Dec-27	140.49	NA	Withdrawn
Na	Cash credit	NA	NA	NA	5	NA	Withdrawn
Na	Letter of credit	NA	NA	NA	45	NA	Withdrawn
Na	Proposed fund-based bank limits	NA	NA	NA	15.11	NA	Withdrawn
Na	Proposed non-fund-based limits	Na	NA	NA	15	NA	Withdrawn

#### Annexure – List of entities consolidated

Names of entities consolidated	Extent of consolidation	Rationale for consolidation

#### Annexure - Rating history for last three years

Instrument	Current			2023 (History)		2022		2021		2020		Start of 2020
	Type	Outstanding amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based facilities	LT	306.6	Withdrawn		--	03-10-22	CRISIL A-/Stable	30-07-21	CRISIL BBB+/Positive / CRISIL A2	30-12-20	CRISIL A3+ / CRISIL BBB/Stable	CRISIL BBB+/Stable / CRISIL A2
			--		--	04-03-22	CRISIL A-/Stable		--	28-02-20	CRISIL A3+ / CRISIL BBB/Stable	--

Non-fund based facilities	ST	60.0	Withdrawn	--	03-10-22	CRISIL A2+ / CRISIL A- / Stable	30-07-21	CRISIL A2	30-12-20	CRISIL A3+	CRISIL A2
			--	--	04-03-22	CRISIL A2+		--	28-02-20	CRISIL A3+	--

All amounts are in Rs crore

#### Annexure – Details of bank lenders/facilities

Facility	Amount (Rs crore)	Name of lender	Rating
Cash credit	5	Axis Bank Ltd	Withdrawn
Cash credit & working capital demand loan	140	State Bank of India	Withdrawn
Letter of credit	3	HDFC Bank Ltd	Withdrawn
Letter of credit	27	State Bank of India	Withdrawn
Letter of credit	12	State Bank of India	Withdrawn
Letter of credit	3	Axis Bank Ltd	Withdrawn
Long-term loan	33.19	State Bank of India	Withdrawn
Long-term loan	25.72	HDFC Bank Ltd	Withdrawn
Long-term loan	42	State Bank of India	Withdrawn
Long-term loan	10	HDFC Bank Ltd	Withdrawn
Long-term loan	10	Axis Bank Ltd	Withdrawn
Long-term loan	19.58	Axis Bank Ltd	Withdrawn
Proposed fund-based bank limits	12.6	-	Withdrawn
Proposed fund-based bank limits	2.51	-	Withdrawn
Proposed non-fund-based limits	15	-	Withdrawn

Working capital loan	6	HDFC Bank Ltd	Withdrawn
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**For further information contact:**

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