

Rating Update
April 08, 2025 | Mumbai**Perfectpac Limited****Update as on April 08, 2025**

This update is provided in continuation of the rating rational below.

The key rating sensitivity factors for the rating include:

Upward factors:

- Revenue growth of more than 20% and the operating margin increasing by around 150 basis points, leading to higher-than-expected cash accrual
- Improvement in the working capital cycle

Downward factors:

- Sharp decline in operating income or the operating margin dropping by around 200 basis points, resulting in lower-than-expected net cash accrual
- Any large, debt-funded capex, weakening the financial risk profile or liquidity profile

Crisil Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, Crisil Ratings seeks regular updates from companies on the business and financial performance. Crisil Ratings is, however, awaiting adequate information from Perfectpac Limited (PPL) which will enable us to carry out the rating review. Crisil Ratings will continue provide updates on relevant developments from time to time on this credit.

Crisil Ratings also identifies information availability risk as a key credit factor in the rating assessment as outlined in its criteria 'Information Availability Risk in Credit Ratings'.

About the Company

Incorporated in 1973 as a private-limited entity and reconstituted into a public-limited company in 1994, PPL manufactures corrugated boxes and boards at its facilities in Greater Noida, Uttar Pradesh. The company is listed on the Bombay Stock Exchange. Mr Sanjay Rajgarhia is the promoter.

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Rating Rationale

February 29, 2024 | Mumbai

Perfectpac Limited

Ratings reaffirmed at 'CRISIL BBB-/Stable/CRISIL A3'

Rating Action

Total Bank Loan Facilities Rated	Rs.10.55 Crore
Long Term Rating	CRISIL BBB-/Stable (Reaffirmed)
Short Term Rating	CRISIL A3 (Reaffirmed)

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1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its 'CRISIL BBB-/Stable/CRISIL A3' ratings on the bank loan facilities of Perfectpac Ltd (PPL).

The ratings continue to reflect the established position of PPL in the corrugated box industry, longstanding relationship with clients and comfortable financial risk profile. These strengths are partially offset by modest scale of operations and exposure to intense competition and cyclicity in the industry.

Key Rating Drivers & Detailed Description

Strengths:

- **Established market position and longstanding client relationship:** The promoters have nearly five decades of experience in the corrugated box segment; his strong understanding of market dynamics and healthy relationships with customers and suppliers should continue to support the business. Key clients have been associated with PPL for more than two decades. The company has begun to diversify its clientele, with focus on the fast-moving consumer goods industry in addition to its existing consumer goods industry customers; this led to steady growth in volumes. Hence, despite declining realisations, turnover is estimated at Rs 73.2 crore for the first nine months of fiscal 2024 (against Rs 71.4 crore in the corresponding period of fiscal 2023) owing to increasing volumes, which should support its business risk profile over the medium term.
- **Comfortable financial risk profile:** The network is comfortable and stood at Rs.31.7 crore as on March 31, 2023 and it is expected to be over Rs.34 crore as on March 31, 2024. Gearing and total outside liabilities to tangible network (TOLTNW) ratio were 0.10 time and 0.43 time, respectively, as on March 31, 2023 and are expected to be below 0.5 times as on March 31, 2024 owing to limited external debt. The debt protection metrics were strong, with net cash accruals to adjusted debt and interest coverage ratios of 1.39 time and 15.22 times, respectively, for fiscal 2023 and these are expected to be above 2.5 time and 20 times for fiscal 2024. CRISIL Ratings expects PPL's financial risk profile metrics to continue to remain comfortable in the absence of any debt-funded capex.

Weaknesses:

- **Modest scale of operations:** Despite steady growth in volumes and scale, revenue has been small at Rs 100 crore in fiscal 2023 and is expected at similar levels in fiscal 2024. Turnover is estimated at Rs 73.2 crore for the first nine months of fiscal 2024 (against Rs 71.4 crore in the corresponding period of fiscal 2023).
- **Exposure to intense competition and cyclicity in the industry:** The corrugated box industry is highly fragmented; the consequent intense competition may continue to constrain scalability, pricing power and profitability. The operating margin has fluctuated between 4.4% and 6.1% during the three fiscals through 2023. However, the margin increased to

7.2% for the first nine months of fiscal 2024, backed by moderation in input cost and increase in volumes, and may remain at similar levels for the fiscal.

Liquidity: Adequate

Liquidity should remain supported by the ample surplus available in cash accrual and bank lines. Bank limit of Rs 7.5 crore was utilised at just around 10% during the 12 months through January 2024. Net cash accrual is expected at more than Rs 4.5 crore per annum, which is sufficient against debt repayment obligation. Current ratio stood healthy at 2.46 times on March 31, 2023, and is expected at similar levels on March 31, 2024. Low gearing and comfortable networth also aid financial flexibility.

Outlook: Stable

PPL will continue to benefit from its strong market position and established relationship with customers.

Rating Sensitivity factors

Upward factors:

- Revenue growth of more than 20% and the operating margin increasing by around 150 basis points, leading to higher-than-expected cash accrual
- Improvement in the working capital cycle

Downward factors:

- Sharp decline in operating income or the operating margin dropping by around 200 basis points, resulting in lower-than-expected net cash accrual
- Any large, debt-funded capex, weakening the financial risk profile or liquidity profile

About the Company

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Key Financial Indicators

As on/for the period ended March 31	Unit	2023	2022
Operating income	Rs crore	99.93	88.50
Reported profit after tax (PAT)	Rs crore	2.83	1.03
PAT margin	%	2.83%	1.16%
Adjusted debt/adjusted networth	Times	0.10	0.24
Interest coverage	Times	15.22	6.32

Status of non cooperation with previous CRA:

PPL has not cooperated with Brickwork Ratings India Private Limited (Brickwork Ratings) which has classified it as non-cooperative vide release dated 27th October 2017. The reason provided by Brickwork Ratings is non-furnishing of information for monitoring of ratings.

Any other information: Not Applicable

Note on complexity levels of the rated instrument:

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 the instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue size (Rs. Crore)	Complexity Level	Rating assigned with outlook
NA	Cash credit	NA	NA	NA	7.5	NA	CRISIL BBB-/Stable
NA	Letter of credit & bank guarantee	NA	NA	NA	1	NA	CRISIL A3
NA	Term loan	NA	NA	Dec-2024	2.05	NA	CRISIL BBB-/Stable

Annexure - Rating History for last 3 Years

	Current			2024 (History)		2023		2022		2021		Start of 2021
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	9.55	CRISIL BBB-/Stable		--		--	21-12-22	CRISIL BBB-/Stable		--	CRISIL BBB-/Stable
			--		--		--	17-02-22	CRISIL BBB-/Stable		--	--
Non-Fund Based Facilities	ST	1.0	CRISIL A3		--		--	21-12-22	CRISIL A3		--	CRISIL A3
			--		--		--	17-02-22	CRISIL A3		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit	7.5	Kotak Mahindra Bank Limited	CRISIL BBB-/Stable
Letter of credit & Bank Guarantee	1	Kotak Mahindra Bank Limited	CRISIL A3
Term Loan	2.05	Kotak Mahindra Bank Limited	CRISIL BBB-/Stable

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
Rating Criteria for Paper Industry

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