

January 03, 2024

Commercial Syn Bags Limited - Placed on rating watch with developing implication

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Cash Credit	59.00	59.00	[ICRA]BBB; Placed on Rating watch with developing implication
Long-term – Fund-based – Term Loan	40.97	40.97	[ICRA]BBB; Placed on Rating watch with developing implication
Long-term/ Short-term- Unallocated	26.03	26.03	[ICRA]BBB/[ICRA]A3+; Placed on Rating watch with developing implication
Short-term – Non-fund-based	15.00	15.00	[ICRA]A3+; Placed on Rating watch with developing implication
Total	141.00	141.00	

Rationale

ICRA has placed the ratings of Commercial Syn Bags Ltd. (CSBL/the company) on watch with developing implication following the announcement of acquisition of Smartlift Bulk Packaging Limited (Smartlift) on December 21, 2023. Smartlift is involved in importing and distributing of industrial packaging and is based in the UK. CSBL is acquiring initial 49% stake for GBP 21,31,500 and further 1% stake for GBP 43,500 (totalling to ~Rs. 22.8 crore for 50% stake at current GBP to INR exchange rate). As per the company, the acquisition is a strategic move that is expected to provide forward integration leading to long term business diversification benefits. .

The company has to make the first payment for 49% by March 2024 and balance within 1 year of the first payment. At present, no additional debt is being envisaged. The company will be primarily utilising its internal accruals for the transaction. This may result in higher use of working capital limits towards the business's funding requirements. Complete clarity on the final funding pattern will emerge in due course of time depending on internal accrual generation and ICRA will continue to monitor the developments and assess the company's credit and liquidity profile.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position, Rating sensitivities: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of CSBL.

About the company

CSBL was incorporated in 1984 as a private limited company by Mr. Anil Choudhary and Mr. Mohanlal Choudhary. It was reconstituted to a closely held public limited company in 1993 and was later listed on the SME platform of the Bombay Stock Exchange in July 2016. Subsequently, the company migrated to the BSE main platform in May 2019. It manufactures bulk packaging materials including FIBC/jumbo bags, bulk bags, poly tarpaulin, woven sacks, box bags, PP/high density polyethylene (HDPE) fabrics and flexible packaging. The company has four manufacturing facilities at Pithampur, Indore (Madhya Pradesh) with a combined manufacturing capacity of 20,500 MTPA. In FY2018, CSBL commenced trading/agency business of plastic granules as a DCA cum CS of OPaL. The company also has a 1.0-megawatt (MW) solar power plant for captive consumption. In August 2020, CSBL incorporated its 100% owned subsidiary, Comsyn India Private Limited. The subsidiary became operational from FY2022 and is involved in manufacturing HDPE fabrics, most of which is captively consumed by CSBL for manufacturing FIBC bags. In July 2022, the company announced the acquisition of the assets of Neo Corp International Limited (NCIL) for foraying into the geotech segment, which will diversify the product portfolio of CSBL and result in incremental revenue and margins. Full-fledged production has begun in H2 FY2024. In CY2022, Smarlift posted a PAT of GBP 0.51 million on revenues of GBP 9.03 million.

Key financial indicators (audited)

CSBL consolidated	FY2022	FY2023	H1 FY2024*
Operating income	322.6	290.2	147.7
PAT	18.3	8.1	4.9
OPBDIT/OI	10.4%	8.1%	9.5%
PAT/OI	5.7%	2.8%	3.3%
Total outside liabilities/Tangible net worth (times)	1.1	0.9	0.9
Total debt/OPBDIT (times)	2.5	3.2	2.9
Interest coverage (times)	5.1	3.8	3.8

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current Rating (FY2024)		Chronology of Rating History for the past 3 years				
		Amount Rated (Rs. crore)	Amount Outstanding as of March 31, 2023 (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023		Date & Rating in FY2022	Date & Rating in FY2021
					Jan 03, 2024	Feb 20, 2023	Jul 29, 2022	Aug 30, 2021
1	Cash credit	Long-term	59.00	--	[ICRA]BBB Rating Watch with Developing Implications	[ICRA]BBB (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)

Current Rating (FY2024)					Chronology of Rating History for the past 3 years				
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding as of March 31, 2023 (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023		Date & Rating in FY2022	Date & Rating in FY2021	
				Jan 03, 2024	Feb 20, 2023	Jul 29,2022	Aug 30, 2021	-	
2	Term loan	Long-term	40.97	34.52	[ICRA]BBB Rating Watch with Developing Implications	[ICRA]BBB (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	-
3	Non-Fund based	Short-term	15.00	--	[ICRA]A3+ Rating Watch with Developing Implications	[ICRA]A3+	[ICRA]A2	[ICRA]A2	-
4	Unallocated	Long-term and short term	26.03	--	[ICRA]BBB Rating Watch with Developing Implications / [ICRA]A3+ Rating Watch with Developing Implications	[ICRA]BBB (Stable)/ [ICRA]A3+	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB+ (Stable)/ [ICRA]A2	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long-term – Fund-based – Cash Credit	Simple
Long-term Fund-based – Term loan	Simple
Long-term / Short-term – Unallocated	Not Applicable
Short-term – Non-fund-based – Others	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: [Click Here](#)

Annexure-I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	-	NA	-	59.00	[ICRA]BBB; Rating Watch with Developing Implications
NA	Term Loan I	FY2021	NA	FY2025	2.00	[ICRA]BBB; Rating Watch with Developing Implications
NA	Term Loan II	FY2021	NA	FY2025	4.26	[ICRA]BBB; Rating Watch with Developing Implications
NA	Term Loan III	FY2021	NA	FY2026	1.46	[ICRA]BBB; Rating Watch with Developing Implications
NA	Term Loan IV	FY2019	NA	FY2026	9.50	[ICRA]BBB; Rating Watch with Developing Implications
NA	Term Loan V	FY2019	NA	FY2023	0.29	[ICRA]BBB; Rating Watch with Developing Implications
NA	Term Loan VI	FY2021	NA	FY2028	4.50	[ICRA]BBB; Rating Watch with Developing Implications
NA	Term Loan VII	FY2021	NA	FY2026	2.60	[ICRA]BBB; Rating Watch with Developing Implications
NA	Term Loan VIII	FY2019	NA	FY2025	0.20	[ICRA]BBB; Rating Watch with Developing Implications
NA	Term Loan IX	FY2019	NA	FY2025	1.06	[ICRA]BBB; Rating Watch with Developing Implications
NA	Term Loan X	FY2019	NA	FY2025	15.10	[ICRA]BBB; Rating Watch with Developing Implications
NA	Non-fund-based working capital limits	-	NA	-	15.00	[ICRA]A3+; Rating Watch with Developing Implications
NA	Unallocated	-	NA	-	26.03	[ICRA]BBB/ [ICRA]A3+; Rating Watch with Developing Implications

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure-II: List of entities considered for consolidated analysis

Company Name	CSBL Ownership	Consolidation Approach
Comsyn India Private Limited	100%	Full Consolidation

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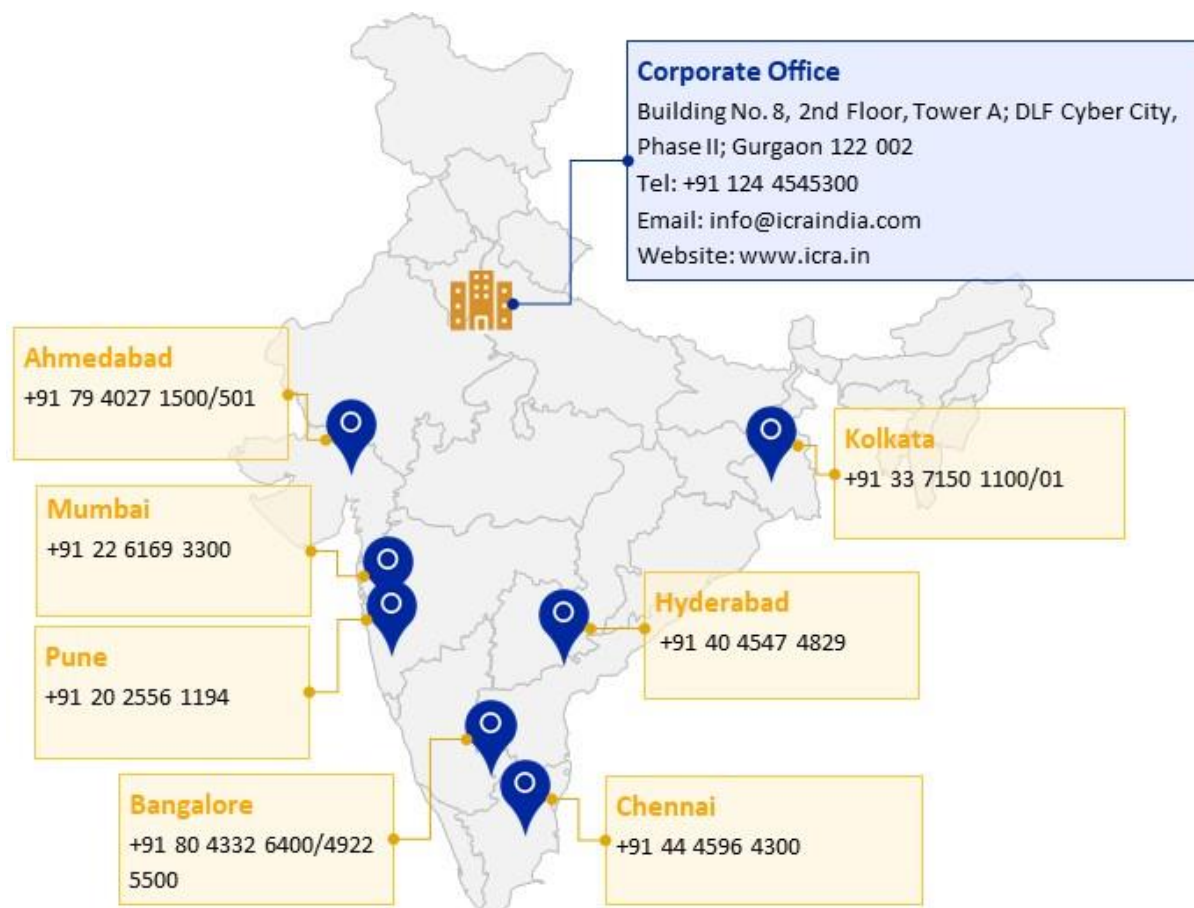


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