Mold-tek Packaging Limited

Instrument	Amount	Rating Action
	Rs Crore[1]	August 2016
Term Loans	3.50 (revised from 5.50)	[ICRA]A- (Stable); Upgraded
Long term fund based	70.0	[ICRA]A- (Stable); Upgraded
Short term non fund based	1.00	[ICRA]A2+; Reaffirmed
Long term/short term proposed	2.50 (revised from 0.50)	[ICRA]A-(Stable) upgraded/[ICRA]A2+ Reaffirmed

ICRA has upgraded the long term rating outstanding on Rs. 3.50 crore^ term loans (revised from Rs. 5.50 crore) and Rs. 70.0 crore fund based bank facilities of Mold-Tek Packaging Limited (Moldtek/'the company') from [ICRA]BBB+ (pronounced ICRA triple B plus) to [ICRA]A- (pronounced ICRA A minus)†; the outlook on the rating has been revised from Positive to Stable. ICRA has also reaffirmed the rating outstanding on Rs. 1.00 crore short-term fund based facilities of Moldtek at [ICRA]A2+ (pronounced ICRA A two plus)†. The long term rating for the proposed facilities of Rs. 2.50 crore has been revised from [ICRA]BBB+ to [ICRA]A- and the short term rating has been reaffirmed at [ICRA]A2+.

The rating upgrade takes into account the continued improvement in the financial profile of the company aided by increasing demand for its products, new product development and customer acquisition. The ratings also favorably consider the established position of the Company in the plastic pail packaging segment with nearly three decades of operations. Other positive rating factors are its reputed customer profile with 'preferred vendor' status from marquee customers; track record of new technology adoption and development of in-house technical capabilities and favorable industry prospects with increasing use of pails by food, paint, lube and FMCG sectors. The Company has also commenced operations of its new plant in Ras al Khaimah in UAE (under a subsidiary) in August 2016 and has also tied up with reputed customers in the region, which will aid in further revenue growth and market diversification in the medium term. The Company will incur additional capex in current fiscal to move the plant from current rented location to own building in current fiscal. Moreover, ICRA also takes note of the LOI received by the Company in current fiscal to cater to new plants of Asian Paints Limited (its largest customer), for which the Company plans to set up two plants in Mysore and Vizag in the medium term. While, the capex is largely expected to be funded through internal accruals, the company may go for partial debt funding for some of the projects in case the ramp up in internal accruals is not sufficient to meet the requirements. The quantum and timing of debt funding may have some impact on capital structure, which is currently healthy with low gearing and strong coverage indicators as the Company had used the funds raised through QIP in 2014-15 to reduce its debt levels significantly. The timely completion of projects without time and cost overruns remain a rating sensitivity factor.

The ratings are however constrained by the Company's moderately high working capital intensity; limited pricing flexibility due to competitive pressure, although the company's pricing terms with major customers allows for partial pass through of volatility in raw material costs. The ratings are further constrained by high customer concentration risk and susceptibility of the company's performance to the underlying cyclicality of end customer segments (such as lubes and paints).

Company Profile

Mold-Tek Packaging Limited traces its origin to Mold-Tek Plastics Private Limited founded in 1985 by Mr. J Lakshmana Rao and A Subrahmanyam to manufacture rigid plastic packaging materials with units located in Andhra Pradesh. The company was listed in BSE in 1993. Subsequently, in 2000, the promoters also commenced outsourcing services for engineering to overseas clients in the USA and EU and the company was renamed as Mold-Tek Technologies Limited. Thereafter in 2008, the company underwent a restructuring process, post which two de-merged listed entities were formed - Mold-Tek Plastics Limited (MTPL), engaged in plastic packaging business and Mold-Tek Technologies Limited (MTTL), which is mainly engaged in offering

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[1] 100 lakh = 1 crore = 10 million

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† For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

KPO services for Engineering and Design, specializing in civil, structural and mechanical engineering. Subsequently Mold-tek Plastics Limited was renamed as Mold-tek Packaging Limited (the rated entity). The Company has seven manufacturing units of which four are in Andhra Pradesh (all near Hyderabad), one in Daman, one in Hosur (Tamilnadu) and one in Satara (Maharashtra). The combined production capacity is ~24000 tpa (in 2015-16). The Company has four warehouses in Chennai, Hosur, Kolkata and Kanpur and a marketing office in Mumbai. The Company has also commenced operations of its plant in Ras al- Khaimah in UAE in current fiscal, under its subsidiary M/s Mold-tek Packaging FZE.

The promoter group holds~33.9% share-holding in the company. The other major group entity is MTTL and its subsidiaries in USA – M/s. Crossroads Detailing Inc. and M/s. RMM Global LLC Akron.

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