

December 12, 2023

## Bericap India Private Limited: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term/ Short-term – Fund-based/ Non-fund based	100.00	75.50	[ICRA]BBB+(Stable)/[ICRA]A2; reaffirmed
Long-term/ Short-term – Interchangeable	(100.00)	(75.50)	[ICRA]BBB+(Stable)/[ICRA]A2; reaffirmed
Term Loan	30.00	54.50	[ICRA]BBB+(Stable); reaffirmed
<b>Total</b>	<b>130.00</b>	<b>130.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The reaffirmation of ratings for Bericap India Private Limited (BIPL/the company) factors in its established track record in the plastic closures industry, and the operational support and financial flexibility it enjoys as part of the Bericap Group. The company is a wholly-owned subsidiary of Bericap Holding GmbH, which has over nine decades of experience in the closures industry. The parent has demonstrated technological support as well as financial support in the form of equity infusion, as and when required, towards growth or other funding needs. The ratings also take into account the company's reputed and established customer base, as well as its business growth prospects. Additionally, its track record of maintaining a conservative capital structure, as reflected by a gearing of 0.7 times as on March 31, 2023 (0.5x-0.7x estimated for FY2024), offers comfort.

The ratings, however, remain constrained by BIPL's working capital intensive nature of business on the back of high inventory and debtor levels. Further, BIPL's margins are also exposed to volatility in key raw material prices, mainly high-density polyethylene (HDPE) granules, linked to petroleum and crude oil prices. However, BIPL has price revision agreements in place with most of its key customers, which provides some comfort against the said risk. With ~90% of raw material requirement imported from South Korea and European suppliers, BIPL is also exposed to currency fluctuation risk; although this is factored into the price revisions with customers to an extent. Further, the company operates in a fragmented industry structure; although entry barriers to the sector provide some comfort.

ICRA notes that the company has incurred substantial capex for foraying into the liquor segment. Accordingly, timely receipt of orders from prospective customers and ramp-up in volumes for the same would be key monitorables.

The Stable outlook on the long-term rating reflects ICRA's opinion that BIPL will continue to enjoy steady revenue growth and profitability metrics, while maintaining its comfortable financial risk profile.

### Key rating drivers and their description

#### Credit strengths

**Strong support from promoter group** – BIPL enjoys strong operational support and financial flexibility as part of the Bericap Group, a global conglomerate in manufacturing caps and closures for over 90 years. The Group is spearheaded by Bericap GmbH, Germany, which holds 100% stake in BIPL, providing the company with operational support and other benefits like extended credit period for supplies and capex liabilities, as well as financial support in the form of equity infusion.

**Customer profile characterised by reputed players** – The customer profile is characterised by reputed players from diverse industries like beverages, FMCG and lubricant oils. Furthermore, the company has forayed into the liquor segment from

CY2023. Accordingly, this would reduce BIPL's exposure towards industry specific risks to an extent. The presence of reputed players ensures steady order flow and, hence, revenue visibility for BIPL.

**Conservative capital structure** – BIPL has maintained a conservative capital structure backed by regular equity infusion from its parent company over the years. Such equity infusion has resulted in the expansion of its net worth base over the years. Supported by these regular capital infusions, BIPL continues to exhibit a comfortable capital structure with a gearing of 0.7x as on March 31, 2023, which is estimated at 0.5x-0.6x in FY2024

**Growing, albeit moderate, scale of operations** – BIPL witnessed a significant growth in top line in FY2023 to Rs. 343.6 crore, reflecting a YoY growth of 22% driven by increasing volumes and higher realisations from its key customers. However, revenues dropped to some extent in CY2023 due to the early onset of the monsoon in some parts of India, which impacted its key customer, Hindustan Coca Cola Beverages Ltd.'s (HCCBL's) volumes. Despite the drop in revenues, the operating margins remained steady at 17.6% (19.1% in FY2022); and despite the revenue growth over recent quarters, BIPL's scale of operations continues to remain modest. Nevertheless, its initiatives to add new customers and industry segments to its mix, and add capacities and products in this regard, support its revenue growth prospects, going forward.

### Credit challenges

**High working capital intensity** – BIPL continues to exhibit high working capital intensity due to its historically high inventory and debtor levels. The company is required to maintain sufficient stock of raw materials, given its dependence on imports for procuring them. The working capital intensity for FY2023 stood at 38% against 40% in FY2022.

**Fragmented industry structure, although entry barriers provide some comfort** – The closures industry is highly fragmented, which exerts limits on scaling up the operations and growth prospects of players. However, entry barriers to the capital-intensive closure business to cater to reputed players provide comfort against the said risk to an extent.

**Exposed to volatility in raw material prices; price revision agreements with key customers provide some comfort** – BIPL is exposed to volatility in raw material prices. HDPE granules are the key raw materials, and their prices are further linked to petroleum and crude oil prices, which have been showing considerable volatility over the recent past. However, the quarterly price revision agreements with key customers mitigate this risk to some extent.

**Exposed to currency movement risks owing to import dependence for raw materials** – BIPL imports a considerable portion of its raw material from overseas suppliers as per the requirements of its key customers. This exposes it to currency movement risks, especially in a scenario of the Dollar appreciating against the Rupee. However, price revisions with customers with regard to the landed cost of raw materials mitigates this risk to an extent.

### Liquidity position: Adequate

BIPL's liquidity position remains adequate, given moderate cash balances (Rs. 0.9 crore as on March 31, 2023) and healthy buffer from unutilised working capital facilities. Against these sources of liquidity, the company has moderate repayment obligations of Rs. 10–15 crore and capex outgo of Rs. 40–50 crore annually. With expected net cash accruals of Rs. 40–50 crore from its operations in FY2024, it has sufficient buffer with respect to its debt repayment obligations over the medium term.

### Rating sensitivities

**Positive factors** – ICRA could upgrade BIPL's ratings if the company is able to demonstrate growth in its top line, supported by the recently undertaken capacity expansion, resulting in an improvement in its return indicators, such as ROCE above 16% on a sustained basis and improvement in its working capital cycle.

**Negative factors** – The ratings could be downgraded if the company shows sharp and sustained decline in revenues and profitability, or any higher than anticipated debt-funded capex that leads to deterioration in its credit metrics, such as interest coverage below 3.5x on a sustained basis.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	ICRA notes the benefits enjoyed by BIPL as part of the Bericap Group spearheaded by Bericap GmbH, Germany, in terms of operational support and financial flexibility.
Consolidation/Standalone	The ratings are based on the standalone financials of Bericap India Private Limited.

## About the company

BIPL was incorporated in 2001 as a joint venture between Essel Propack and the German entity, Bericap GmbH (BHG). BHG subsequently bought over its stake from Essel Propack, with BIPL becoming its wholly-owned subsidiary in 2009. BIPL manufactures plastic closures for PET bottles used in carbonated soft drinks (CSD), fruit juices, processed food, edible oil, lube oil, paints and household chemicals. BIPL began its production of closures from Murbad in the Thane district of Maharashtra in 2001. Later, its manufacturing facility was shifted to Talegaon MIDC in Pune district from 2007. The company currently has a manufacturing capacity of ~6.5 billion closures per annum, with a capacity utilisation of 80-85%.

### Key financial indicators (audited)

BIPL Standalone	FY2022	FY2023
Operating income	281.0	343.6
PAT	15.8	10.1
OPBDIT/OI	19.1%	17.6%
PAT/OI	5.6%	2.9%
Total outside liabilities/Tangible net worth (times)	0.9	1.1
Total debt/OPBDIT (times)	1.6	2.1
Interest coverage (times)	9.6	5.7

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

### 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	
				Dec 12, 2023	Jan 03, 2023	Dec 24, 2021	Jan 01, 2021	Apr 08, 2020
1 Fund Based / Non-fund Based	Long term/ Short Term	75.50	75.50	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB (Stable)/ [ICRA]A3+	[ICRA]BBB (Stable)/ [ICRA]A3+
2 Fund Based / Non-fund Based – Interchangeable	Long term/ Short Term	(75.50)	-	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB (Stable)/ [ICRA]A3+	[ICRA]BBB (Stable)/ [ICRA]A3+

<b>3 Term Loan</b>	Long term	54.50	38.70	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	-	-	-
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### Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term/ Short -term – Fund Based/Non-Fund Based	Simple
Long-term/ Short -term – Interchangeable	Simple
Term Loan	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 analysing 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 are available on ICRA's website: [Click Here](#)

## Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	June 2022	10% p.a.	June 2025	54.50	[ICRA]BBB+(Stable)
NA	Long-term/ Short -term – Fund Based/Non-Fund Based Facilities	NA	NA	NA	75.50	[ICRA]BBB+(Stable)/[ICRA]A2
NA	Long-term/ Short -term – Interchangeable	NA	NA	NA	(75.50)	[ICRA]BBB+(Stable)/[ICRA]A2

Source: Company; Note: The working capital facilities are fully interchangeable with fund-based / non-fund-based interchangeable facilities

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

## Annexure II: List of entities considered for consolidated analysis – Not applicable

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