

June 13, 2025

Rathna Packaging India Private Limited: Ratings reaffirmed; outlook revised to Negative; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Short term-export packing credit-fund based	0.00	10.00	[ICRA]A3+; Assigned
Long term / short term-unallocated-unallocated	0.67	0.00	-
Long term-working capital demand loan-fund based	0.00	20.00	[ICRA]BBB (Negative); Assigned
Long term-cash credit-fund based	71.00	94.00	[ICRA]BBB (Negative); Reaffirmed with Change in Outlook to Negative from Stable; assigned for enhanced limits
Long term-term loan-fund based	45.35	58.12	[ICRA]BBB (Negative); Reaffirmed with Change in Outlook to Negative from Stable; assigned for enhanced limits
Total	117.02	182.12	

*Instrument details are provided in Annexure-I

Rationale

The revision in the outlook on the long-term rating of Rathna Packaging India Private Limited (RPPL) to Negative from Stable factors in the concern that the company's leverage metrics are likely to remain high in FY2026, considering the ongoing debt-funded capex, while the benefits of the same are expected to accrue over the longer term.

The ratings outstanding on RPPL remains supported by its established presence in the flexible packing industry, with promoters having experience of over two decades in the sector, and established relationships with a reputed clientele, which support its business prospects. With the acquisition of Sysco Industries Limited (Sysco) through the National Company Law Tribunal (NCLT) in FY2023, and subsequent capacity enhancement and improvement undertaken at Sysco's facility in Surat, RPPL is well positioned to cater to additional business requirements, both from the existing clients and improved export prospects, considering proximity of Sysco's manufacturing facilities to the port. Accordingly, ICRA expects RPPL to maintain a steady revenue growth momentum with estimated revenues of ~Rs. 620 crore and an operating margin of 9-10% in the current fiscal.

ICRA also notes that RPPL's debt has increased in the recent years on account of Sysco's acquisition as well as capex and working capital requirements, which coupled with a minimal increase in the operating profits impacted its leverage metrics in FY2024 and FY2025. While the debt levels are expected to remain elevated over the near term, considering the ongoing debt-funded capex of ~Rs. 100 crore over FY2026-FY2027 for refurbishment of machinery towards improvement in operating efficiencies, RPPL's operating profitability is also likely to improve, supported by the cost-control initiatives undertaken internally, including reduction in payouts towards director remuneration, reprocessing of scrap granules, focus on higher-margin orders etc. Besides medium-to-long term benefits from the ongoing capex, this will support its operational efficiency and margin expansion. Additionally, the company is expected to derive synergistic benefits on account of Sysco's merger with RPPL with improvement in cash flows on account of potential tax savings. Nevertheless, ICRA would continue to monitor the progress of the capex, funding mix and its impact on the overall credit profile of the company.

The ratings remain constrained by RPPL's moderate scale of operations relative to the size of the flexible packaging industry, resulting in limited economies of scale. Besides, highly fragmented and competitive nature of the industry, which limits the

pricing flexibility of industry players like RPPL. These factors, coupled with vulnerability to adverse movements in prices of key raw materials (crude oil derivatives) and foreign exchange (forex) rate, have resulted in some volatility in the company's operating margins over the past years. ICRA has also noted the recent fire incident at RPPL's factory at Surat, which had resulted in damaged machinery and stock loss to the extent of Rs. 18-20 crore. The management has shared that RPPL has filed for an insurance claim of similar quantum, and there has not been any major revenue loss on account of the same, however, developments in this regard would also be monitored.

Key rating drivers and their description

Credit strengths

Established operational track record and extensive experience of promoters in the flexible packaging industry – RPPL's promoters have extensive experience of over two decades in the packaging industry. The company started as a partnership concern in 1998, selling poly films, and subsequently diversified its portfolio into laminated films, shrink sleeves, adhesive tapes, paper bags etc. With increasing diversification of its product profile following a recent capex and acquisition and merger of Sysco, the company is poised to grow its scale of operations, going forward.

Established relationships with customer base, which include reputed companies – RPPL has an established customer base across various sectors like FMCG, e-commerce and automobiles, and has been expanding its customer base as well. It continues to receive repeat orders from its key customers and is well poised to target additional customers, both in the domestic and export markets, given the enhanced capacities available.

Favourable demand outlook to support future growth – Stable demand prospects in flexible packaging and expansion into paper packaging, coupled with the acquisition and merger of Sysco, are expected to continue to drive the revenue growth over the near-to-medium term. Moreover, the location benefits (imports and exports), given the proximity of Sysco's manufacturing facilities to the port, improves its overall export prospects, further supporting revenue growth and diversification.

Credit challenges

Moderate coverage and capitalisation indicators – RPPL's debt levels have been increasing over the recent years on account of investments in Sysco as well as capex and working capital requirements. While there has been funding support extended by promoters in FY2025 (worth Rs. 26.1 crore of interest-free unsecured loans), the external debt levels continue to remain elevated. RPPL's operating profits have not increased in a commensurate manner, and its coverage indicators weakened over FY2024 and FY2025. While debt levels are expected to remain elevated over the medium term due to the ongoing partially debt-funded capex, expected improvement in operating profits driven by several cost-control initiatives undertaken by the management, as well as scale-up in operations, are expected to arrest further moderation in coverage indicators. ICRA would continue to monitor developments on this front, as well as terms of the additional debt tied up for the capex, as these would impact RPPL's coverage and capitalisation indicators, going forward.

Moderate scale of operations relative to the size of the industry – RPPL's scale of operations continues to remain moderate, relative to the size of the packaging industry, resulting in limited economies of scale. The company registered an operating income of Rs. 561.6 crore in FY2025, a 10.1% YoY growth. Nonetheless, RPPL is expected to report a healthy growth, going forward, which will provide benefits of economies of scale gradually.

Intense competition limits pricing flexibility – The Indian packaging industry is fragmented and is characterised by intense competition due to low entry barriers. This limits the pricing flexibility of industry participants, including RPPL. However, the company benefits to an extent from its established operational track record and long relationships with its customers.

Profit margins remain vulnerable to volatility in raw material prices – RPPL's key raw materials are derivatives of crude oil, hence its margins remain susceptible to volatility in crude oil prices. Additionally, margins also remain exposed to forex

fluctuations as the company generates ~25% of its revenue from exports. However, it imports 15-20% of its raw material requirements, providing a natural hedge to its exports.

Liquidity position: Adequate

RPPL's liquidity position remains **adequate** supported by steady internal accruals (with annual cash profits of ~Rs. 20 crore), unencumbered cash and cash equivalents of around Rs. 3.7 crore as on March 31, 2025, and unutilised working capital limits of around Rs. 25 crore over the 12-month period ending on March 31, 2025. Against this, the debt repayments in FY2026 stood at Rs. 13.8 crore and are expected to be serviced comfortably from the cash flow from operations. While capex requirements are higher at Rs. 100 crore over FY2026 and FY2027, the same would be funded by combination of external debt, promoter funding and internal funding sources.

Rating sensitivities

Positive factors – ICRA could revise the outlook on the long-term rating to Stable if the company demonstrates a material improvement in earnings and debt coverage metrics.

Negative factors – Pressure on the company's ratings could arise if there is a significant decline in revenues and cash accrual generation and/or any significant capex or a stretch in the working capital cycle adversely impacts the liquidity profile and debt coverage metrics. Specific credit metrics that could result in ratings downgrade include DSCR of less than 1.6 times on a sustained basis.

Analytical approach

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

* Considering that SIL has been merged with RPPL w.e.f April 1, 2024 and there are no other subsidiaries/JVs/associates, the company does not report consolidated financials anymore. Accordingly, ICRA's rating approach is being changed from consolidated to standalone basis.

About the company

Established in 1998, Rathna Packaging India Pvt Ltd is involved in manufacturing of poly film products, including packaging films, lamination films, shrink sleeves for jar and bottles, self-adhesive Biaxially Oriented Polypropylene (BOPP) tapes and multiplayer film for milk and oil packaging. Further, the company has the capacity to manufacture polyethylene films in-house, which are further processed to manufacture various other products. RPPL acquired Sysco Industries Limited from NCLT in FY2023 and has subsequently consolidated Sysco with itself with effect from April 1, 2024. At present, the company (including Sysco) has the capacity of 43,280 MTPA located across four manufacturing units in Hosur, Tamil Nadu and Surat, Gujarat. RPPL has a reputed client base including many Indian and multinational companies in the FMCG, automobile and other food companies.

Key financial indicators

	FY2024	FY2025
Operating income	510.1	561.6
PAT	6.5	9.3
OPBDIT/OI (%)	5.3%	6.8%
PAT/OI (%)	1.3%	1.7%
Total outside liabilities/Tangible net worth (times)	3.4	3.3
Total debt/OPBDIT (times)	6.7	5.9
Adjusted debt/ OPBDIT (times)	5.4	4.5
Interest coverage (times)	1.9	2.2

Source: Company, ICRA Research; All ratios are as per ICRA's calculations; Amount in Rs. crore; Adjusted debt excludes supplier bill discounting

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs Crore)	June 13, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Long term-cash credit-fund based	Long Term	94.00	[ICRA]BBB (Negative)	28-JUN-2024	[ICRA]BBB (Stable)	06-APR-2023	[ICRA]BBB (Positive)	-	-
Long term / short term-unallocated-unallocated	Long Term/ Short Term	-	-	28-JUN-2024	[ICRA]BBB (Stable)/ [ICRA]A3+	-	-	-	-
Long term-term loan-fund based	Long Term	58.12	[ICRA]BBB (Negative)	28-JUN-2024	[ICRA]BBB (Stable)	06-APR-2023	[ICRA]BBB (Positive)	-	-
Long term-working capital demand loan-fund based	Long Term	20.00	[ICRA]BBB (Negative)	-	-	-	-	-	-
Short term-export packing credit-fund based	Short Term	10.00	[ICRA]A3+	-	-	-	-	-	-
Short term-others-fund based	Short Term			-	-	06-APR-2023	[ICRA] A3+	-	-
Short term-others-non fund based	Short Term			-	-	06-APR-2023	[ICRA] A3+	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Short Term-Export Packing Credit-Fund Based	Simple
Long Term-Working Capital Demand Loan-Fund Based	Simple
Long Term-Cash Credit-Fund Based	Simple
Long Term-Term Loan-Fund Based	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/Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund Based – Term Loan	FY2022-25	8.00-10.30%	FY2026-31	58.12	[ICRA]BBB (Negative)
NA	Fund Based – Cash Credit	NA	NA	NA	94.00	[ICRA]BBB (Negative)
NA	Fund Based – WCDL	NA	NA	NA	20.00	[ICRA]BBB (Negative)
NA	Fund Based – Export Packing Credit	NA	NA	NA	10.00	[ICRA]A3+

Source: Company

[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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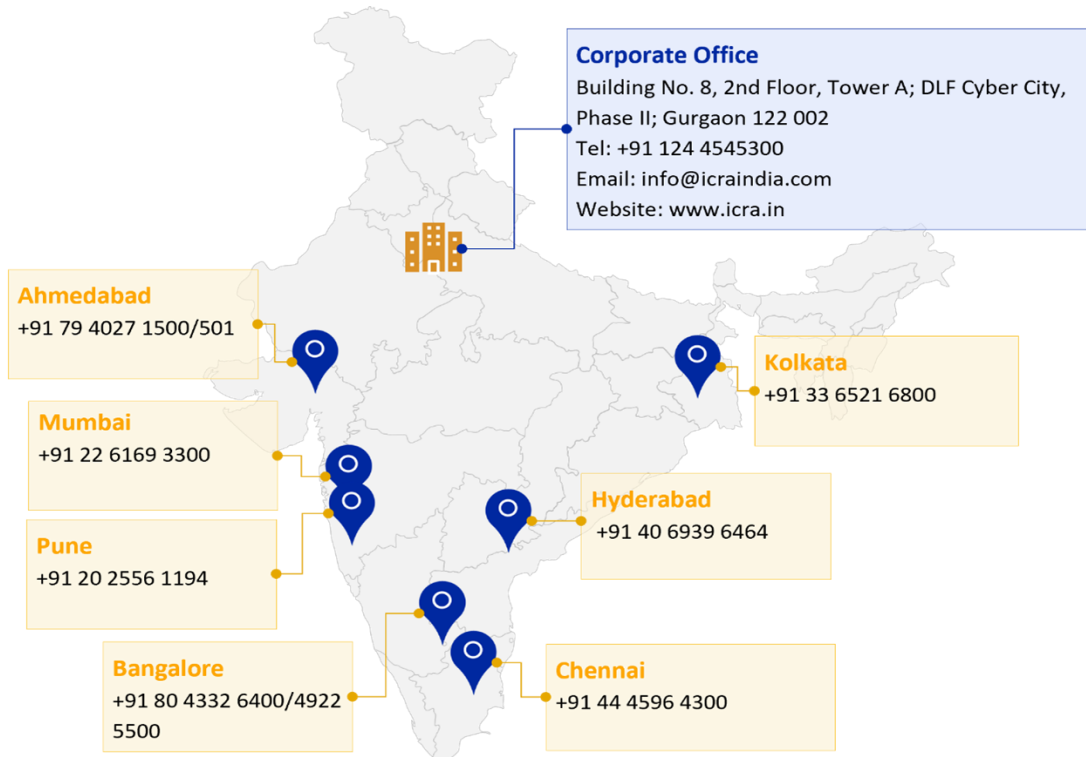


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