

August 18, 2025

## Vacmet India Limited: Ratings upgraded to [ICRA]AA- (Stable)/[ICRA]A1+

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term Fund-based – Cash credit	325.00	325.00	[ICRA]AA- (Stable); upgraded from [ICRA]A+ (Stable)
Short term Non-fund based <sup>#</sup>	(325.00)	(325.00)	[ICRA]A1+; upgraded from [ICRA]A1
Long term – Unallocated	111.25	111.25	[ICRA]AA- (Stable); upgraded from [ICRA]A+ (Stable)
<b>Total</b>	<b>436.25</b>	<b>436.25</b>	

\*Instrument details are provided in Annexure I; <sup>#</sup> fully interchangeable with fund-based cash credit

### Rationale

The ratings upgrade for the bank facilities of Vacmet India Limited (Vacmet) factors in the steady growth in its revenues and earnings over the past few years, strengthening its financial profile, as indicated by total debt/OPBDITA of 1.6 times as on March 31, 2025, and an interest coverage of 12.5 times in FY2025. Vacmet has been able to achieve the same on the back of its established market position as one of the leading manufacturers of bi-axially oriented polyethylene terephthalate (BOPET) and bi-axially oriented polypropylene (BOPP) films in India and its integrated operations and sizeable manufacturing capacity, which have supported its operational profile. The company also benefits from the location-specific advantages, with manufacturing units situated close to key demand centres, and from the steady demand for packaging films in India. Vacmet reported revenues of Rs. 2,911 crore in FY2025, registering a YoY growth of 9.5% and a significant expansion in the operating profit margin (OPM) to 10.0% from 4.3% in FY2024, following a recovery from the industry-wide downturn caused by demand-supply mismatch in the previous fiscal. ICRA expects the company to largely sustain its OPM in the current fiscal, supported by stable demand outlook and an increase in average realisations (partly attributable to supply constraints in the industry due to disruptions at a leading industry player's manufacturing facility). As the company's manufacturing capacities are operating at high levels, Vacmet is likely to undertake a capacity expansion programme over the next few years to fuel future growth. Funding the same, substantially through debt, may lead to some increase in the leverage levels over this period. However, continued strong earnings, expected long-term tenure of the debt and relatively lower rate of interest will support the company's credit profile.

The ratings remain constrained by the susceptibility of Vacmet's profitability to fluctuations in raw material prices, given its dependence on crude oil derivatives. The industry's commoditised nature and cyclicity also expose the company to pricing pressure, especially during periods of excess capacity or delays in passing on input cost rise to customers.

The Stable outlook on the long-term rating reflects ICRA's opinion that the company will continue to report healthy earnings, aided by steady demand outlook and its established position in the industry, while maintaining a comfortable capital structure and liquidity position.

## Key rating drivers and their description

### Credit strengths

**Established business position in the flexible packaging films industry** – Vacmet began manufacturing metallised films in 1993 and since then scaled up its operations by setting up two BOPP and three BOPET lines. At present, the company is a leading player in the overall packaging film industry in India, commanding a prominent place in the sector. Over the years, the company has improved its operating profile by adding value-added products as well as by setting up backward integration lines.

**Location-specific advantage of plants for being in proximity to demand centres and ports** – In India, the northern and the western markets are the key demand centres for packaging films. As Vacmet's plants are located in and around Agra in Uttar Pradesh and Dhar in Madhya Pradesh, it enjoys proximity to both the major markets. The plant in Madhya Pradesh provides proximity to ports along India's western coast, which enables exports with low freight costs. The company derives nearly 80% of its revenue from the northern and western states in domestic markets.

**Healthy financial risk profile with strong cash accruals and long-tenure term debt** – Vacmet's financial risk profile remains comfortable, backed by healthy cash accruals and limited debt. In FY2025, Vacmet has witnessed improved realisations on its products, which is further supported by steady demand environment, aiding in profitability. This marks a turnaround from FY2024, when credit metrics were impacted due to a sharp decline in margins, driven by industry-wide overcapacity. This coupled with moderate debt level and healthy net worth led to comfortable debt protection metrics with an interest cover of 12.5 times and Total Debt/OPBDITA of 1.6 times in FY2025. Healthy cash flow generation and limited capex in recent years continued to result in comfortable liquidity position for the company.

### Credit challenges

**Margins remain vulnerable to demand-supply dynamics due to commoditised nature of product** – Margins remain vulnerable to demand supply dynamics wherein excess supply puts pressure on the selling prices and subsequently reduces the margins. In FY2025, the demand-supply dynamic has improved, with over supply seen during FY2023-FY2024 getting absorbed, aiding the selling prices. Vacmet's OPM increased to 10% in FY2025 from ~4.3% in FY2024, aided by recovery in selling price and economies of scale.

**Cyclical nature of the industry, coupled with intense competition and commoditised nature of products** – The packaging film industry has historically faced instances of capacity additions, which significantly exceeded the demand growth, leading to over capacity in the industry. As a result, realisation and contribution margins have contracted during such times. Additionally, with the commoditised nature of most of the products with little scope for differentiation, industry players have faced periods of heightened competition, resulting in weakening of margins. ICRA notes that Vacmet has increased its focus on export revenues as a source of diversification and derives 15-17% of its revenues from the European markets at present. Moreover, it has been focusing on increasing volumes for value-added films.

### Liquidity position: Adequate

Vacmet's liquidity is adequate, supported by healthy cash flow generation, free cash/bank balance of around Rs. 764 crore and around Rs. 260 crore of unutilised working capital limits as of July 2025. Vacmet is expected to generate healthy cash flow from operations worth Rs. 300-350 crore annually, which would be sufficient to address the existing repayment obligations (Rs. 85-95 crore annually) and funding the routine capex. The company also plans to incur sizeable capex over FY2027-FY2028, which is expected to be mostly funded through incremental fresh debt and the balance through internal surplus.

## Rating sensitivities

**Positive factors** – ICRA could upgrade the long-term rating if there is a sustained increase in scale with a diversified product portfolio, resulting in an improved market position. The company's ability to improve return metrics and profit margins while maintaining a strong credit profile and liquidity on a sustained basis would be considered positively for a rating upgrade.

**Negative factors** – ICRA could downgrade the ratings if there is a sharp decline in profit margins, apart from industry conditions like weak demand and/or overcapacity on a sustained basis. In terms of specific credit metric, DSCR lower than 2.7 times on a sustained basis could be a negative rating trigger.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financials of Vacmet

## About the company

Vacmet India Limited (Vacmet) manufactures packaging films, i.e. BOPET and BOPP films, with facilities located at Agra, Chhatta and Kosi Kalan, in Uttar Pradesh and at Dhar, Madhya Pradesh. The company is also backward integrated in manufacturing of poly-ethylene terephthalate (PET) chips at its Dhar facility, which is used for manufacturing of BOPET films. The company has a forward integration facility of metalising coating of films at Kosi Kalan, Uttar Pradesh.

Vacmet is one of the leading players in the flexible packaging film industry in India. It was set up in 1993 by Late DC Aggarwal in Agra with a metallising and coating unit initially. The company, since then, has expanded its manufacturing capability and now produces BOPET and BOPP films along with PET chips used as raw materials for manufacturing BOPET films. The production capacity of BOPET films is around 1,07,000 MTPA and BOPP films is around 1,00,000 MTPA. The company has been one of the frontrunners in capacity addition, much ahead of some other key players.

## Key financial indicators (audited)

Vacmet - standalone	FY2024	FY2025
Operating income	2,657.9	2,911.4
PAT	9.4	150.0
OPBDIT/OI	4.3%	10.0%
PAT/OI	0.4%	5.2%
Total outside liabilities/Tangible net worth (times)	0.7	0.5
Total debt/OPBDIT (times)	5.0	1.6
Interest coverage (times)	4.2	12.5

Source: Company, ICRA Research; 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

Instruments	Current ratings (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Aug 18, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
<b>Fund based – Cash Credit</b>	Long term	325.00	[ICRA]AA-(Stable)	Oct 04, 2024	[ICRA]A+(Stable)	Jul 27, 2023	[ICRA]A+(Stable)	Jun 30, 2022	[ICRA]A+(Stable)
<b>Letter of Credit<sup>#</sup></b>	Short term	(325.00)	[ICRA]A1+	Oct 04, 2024	[ICRA]A1	Jul 27, 2023	[ICRA]A1	Jun 30, 2022	[ICRA]A1
<b>Unallocated</b>	Long term	111.25	[ICRA]AA-(Stable)	Oct 04, 2024	[ICRA]A+(Stable)	Jul 27, 2023	[ICRA]A+(Stable)	Jun 30, 2022	[ICRA]A+(Stable)

Source: Company, <sup>#</sup> Non-fund-based limits also include bank guarantee, are fully interchangeable with fund-based cash credit

## Complexity level of the rated instruments

Instrument	Complexity indicator
<b>Long Term – Cash Credit</b>	Simple
<b>Short Term – Letter of Credit</b>	Very Simple
<b>Long Term – Unallocated</b>	Not applicable

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	Cash Credit	NA	NA	NA	325.00	[ICRA]AA- (Stable)
NA	Letter of Credit <sup>#</sup>	NA	NA	NA	(325.00)	[ICRA]A1+
NA	Unallocated	NA	NA	NA	111.25	[ICRA]AA- (Stable)

Source: Company; <sup>#</sup> Non-fund based limits also include bank guarantee, are fully interchangeable with fund-based cash credit

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

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## ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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