January 15, 2025

Clearpack Automation Private Limited: [ICRA]BB (Stable)/ [ICRA]A4+; assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based - Cash Credit	35.50	[ICRA]BB (Stable); assigned
Short-term – Non Fund-Based - Bank Guarantee	27.15	[ICRA]A4+; assigned
Long-term Fund-based - Term Loans	67.24	[ICRA]BB (Stable); assigned
Long-term/short-term –Unallocated Limits	4.11	[ICRA]BB (Stable)/ [ICRA]A4+; assigned
Total	**134.00**	

**Instrument details are provided in Annexure-I*

Rationale

The assigned ratings factor in the extensive experience of the promoters of Clearpack Automation Private Limited (CAPL) in the manufacturing of complete packaging line equipment and standalone packaging machines and the company's track record in rendering diversified packaging products to reputed clients operating in diversified industries. The company's operational profile is strengthened owing to its diversified product portfolio in packaging machines and equipment. The top ten customers contributed around 40% to the top line in FY2022 and FY2023, reflecting low costumer concentration risk. Large orders from two of the customers in FY2024 had elevated the concentration risk to some extent, but the same is expected to normalise in the current fiscal. The ratings also factor in the company's capability to manufacture and develop innovative products using state of the art technology that align with European standards along with the capability to build customised machinery for its customers.

The ratings, however, are constrained by CAPL's moderate scale of current operations, though the same has grown significantly by ~46% in FY2024 on a YoY basis. ICRA expects the top line to grow steadily in the medium term. The company's ratings are also constrained because of its weak financial profile, characterised by an adverse capital structure and subdued debt coverage indicators owing to its low net worth and high level of debt. ICRA does not foresee any significant improvement in the same in the medium term, given the ongoing planned debt-funded capex. The ratings also consider the moderately competitive nature of the industry in which it operates and exposure to raw material price volatility as all or the major part of the contracts are fixed price in nature.

The Stable outlook on the long-term rating reflects ICRA's expectations that the company's track record of operations, reputed client profile, and long track record of the company's promoters in the business will continue to support its revenue and profitability.

Key rating drivers and their description

Credit strengths

Extensive experience of the promoters in complete packaging line equipment and standalone packaging machines – CAPL, incorporated in 2007, is a part of Clearpack Group and is a subsidiary of the Singapore-based company, M/s Clearpack Holding Pte Limited. The Group has presence across ~13 countries and operates through three factories across the world, with two factories in Noida and Pune in India and one in Italy. The promoters have experience of over three decades in the manufacturing and trading of complete packaging line equipment and standalone packaging machines.

Low customer concentration, business from reputed customers operating in diversified industries – CAPL's customer concentration risk had remained low in FY2022 and FY2023 with the top ten customers accounting for around 40% of the revenues. However, execution of large orders from two of its customers in FY2024 had elevated the client concentration risk to some extent with the top ten customers accounting for nearly 60% of the revenue. Nevertheless, ICRA expects the same to normalise in the current fiscal. The clientele of the company includes reputed names such as Asian Paints, Dabur India, HUL, ITC, Adani Wilmar, Reckitt Benckiser, Nestle, BPCL, etc. with which CAPL has established relationships. CAPL caters to entities operating in diversified industries viz. personal care, home care, FMCG, beverages, paints and agrochemicals and pharmaceuticals, which insulate its business from demand downturn in a particular industry.

Diversified product portfolio with innovative packaging products – The company has technology tie-ups with various companies like Netfill (Italian brand), Involvo Wrapping Solutions (IWS), Automated Packaging Solutions (APSOL), TORQ Packaging etc. and is manufacturing innovative diversified packaging machinery and equipment, which include filling and capping machines, shrink bundling machines, wrap around and tray packers, top load and robot-based case packers, palletisers etc. CAPL invests time, effort and resources to upgrade and develop innovative products that align with European standards.

Credit challenges

Modest scale of operations and profitability – The company is a medium scale player, in a moderately competitive industry, as reflected by a top line of ~Rs. 211 crore in FY2024. A sharp increase in the top line in FY2024 by ~46% on a YoY basis is due to a rise in order flow and operationalisation of the Pune factory. ICRA expects the revenue to grow steadily over the medium term. During the first eight months of the current fiscal, the company achieved a top line of ~Rs. 114 crore and the order book as on November 30, 2024 stood at Rs. 110 crore, to be executed in next six months. The company's operating margin depends on the nature of the order and stood at around 7% in the last two fiscals and ICRA expects the OPM to remain at a similar level in FY2025 as well. Exports, primarily to Group entities in FY2024, contributed around 17% to its total revenue.

Weak financial risk profile characterised by an adverse capital structure and subdued debt coverage indicators – Driven by low net worth and high debt, the entity's debt coverage metrics and the capital structure remained adverse in FY2024, as reflected by Total Debt/OPBDITA of 4.7 times, interest coverage of 3.0 times and Total Debt/TNW of 2.7 times (5.0 times, 3.0 times and 2.8 times, respectively in FY2023). ICRA does not foresee any significant improvement in the same in the medium term, given the ongoing planned debt-funded capex.

Moderately competitive industry – The company operates in a moderately competitive industry and is exposed to competition from MNCs and foreign firms such as KHS Group, Krones, Serac, Sistemi Macchine Impianti (SMI), Autopack, Techlong, Newamstar, and Sacmi. Additionally, the company faces significant competition from local manufacturers of shrink-wrapping machines mainly based in Mumbai and Gujarat. However, manufacturing of machines of European standards at a reasonable price with good after sales services, provides CAPL with some edge over its competitors.

Exposure to raw material/commodity price fluctuation risk – The company enters fixed price contracts with its customers for both standardised machines and turnkey projects. Delivery time of the machines depends on the nature of the order, which can vary from 30 days to 12 months. Any adverse fluctuation in the prices of raw materials during the course of manufacturing may impact the margins of the company. Further, the company imports some of the electrical and mechanical parts from China and Europe, which also exposes the company to foreign exchange price risk as the company does not have any formal hedging policy.

Liquidity position: Stretched

CAPL's liquidity position is stretched. Cash flow from operations had remained negative in the past few fiscals. The same, however, is likely to turn positive in FY2025 with an improvement in the working capital intensity of operations. Capex incurred by the company over the past fiscals on account of machinery upgradation, modernisation and setting up of the Pune factory in FY2024 resulted in negative free cash flows. The working capital utilisation of the company also remain high with ~80% average utilisation during the past 20 months ending in October 2024. The company is in the process of setting up a new factory with a total project cost of Rs. 125 crore in Noida, to be funded through a term loan (sanctioned) of Rs. 50 crore and the balance through a mix of internal accrual, equity infusion and external commercial borrowings (ECBs). In FY2025, the company has acquired a land for Rs. 45 crore funded through term loan of Rs. 25 crore (of Rs. 50 crore sanctioned limit) and the balance through internal accrual. The debt repayment is likely to increase significantly from FY2026, which would have a bearing on the company's liquidity.

Rating sensitivities

Positive factors – ICRA could upgrade CAPL's ratings if the company demonstrates a sustained increase in its revenues and profitability along with an improvement in its liquidity and debt coverage metrics on a sustained basis.

Negative factors – Pressure on the ratings could arise if there is a significant decline in the revenues and/or earnings of the company, leading to a further weakening of the liquidity position and coverage indicators. Higher-than-expected debt-funded capex, which may lead to weakening of the financial profile and liquidity, could also lead to ratings downgrade. Specific credit metrics that may lead to a downgrade of the ratings include interest coverage below 2.4 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 the ratings, ICRA has considered the Standalone financials of CAPL

Note (for analyst reference only):

About the company

Clearpack Automation Private Limited (CAPL) is a part of Clearpack Group and is a wholly-owned subsidiary of M/s Clearpack Holding Pte Limited, which was founded in 1991 in Singapore. CAPL specialises in manufacturing complete packaging line equipment and standalone packaging machines for personal care, home care, food and beverages, paints and agrochemicals, and pharmaceutical sectors. Each line includes state-of-the-art and highly accurate filling and capping machines, bottle unscramblers, labelling machines, shrink wrapping machines, case packing systems, case palletising systems, and interconnecting conveyor systems. The company's customers include companies like Adani Wilmar, Bharat Petroleum Corporation Limited (BPCL), Hindustan Unilever Limited (HUL), Indian Tobacco Company (ITC), Marico, Asian Paints, Dabur, Nestle Bisleri, Parle Agro, COKE, Godrej, Pernod Ricard, Zydus, Laurus, Indoco etc.

Key financial indicators (audited)

CAPL Standalone	FY2023	FY2024
Operating income	144.9	211.0
PAT	2.4	5.1
OPBDIT/OI	7.0%	7.1%
PAT/OI	1.7%	2.4%
Total outside liabilities/Tangible net worth (times)	7.4	5.9
Total debt/OPBDIT (times)	5.0	4.7
Interest coverage (times)	3.0	3.0

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

	Current rating (FY2025)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs Crore)	Jan 15, 2025	Date	Rating	Date	Rating	Date	Rating
Long-term Fund-based - Cash Credit	Long Term	35.50	[ICRA]BB (Stable	-	-	-	-	-	-
Short-term – Non Fund-Based - Bank Guarantee	Short Term	27.15	[ICRA]A4+	-	-	-	-	-	-
Long-term Fund-based - Term Loans	Long Term	67.24	[ICRA]BB (Stable)	-	-	-	-	-	-
Long-term/short-term – Unallocated Limits	Long Term/ Short Term	4.11	ICRA]BB (Stable)/ [ICRA]A4+	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based - Cash Credit	Simple
Short-term – Non Fund-Based - Bank Guarantee	Very Simple
Long-term Fund-based - Term Loans	Simple
Long-term/short-term –Unallocated Limits	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	35.50	[ICRA]BB (Stable)
NA	**Bank Guarantee**	NA	NA	NA	27.15	[ICRA]A4+
NA	**Term Loans**	NA	9-10%	FY2030	67.24	[ICRA]BB (Stable)
NA	**Unallocated Limits**	NA	NA	NA	4.11	ICRA]BB (Stable)/ [ICRA]A4+

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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ABOUT ICRA LIMITED

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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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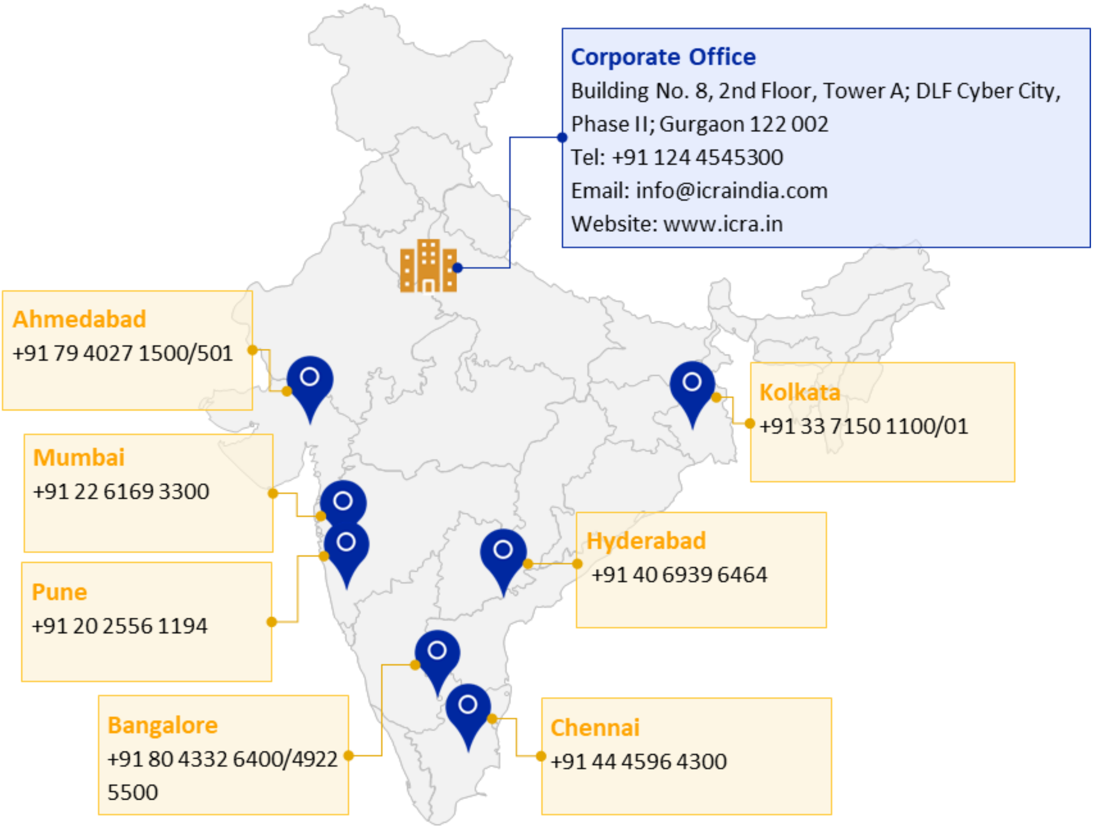

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