

January 28, 2025

## Alliance Polysacks Private Limited: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term - Fund-based – Cash credit	66.00	66.00	[ICRA]BBB-(Stable); reaffirmed
Long-term - Fund-based – Term loans	48.90	33.25	[ICRA]BBB-(Stable); reaffirmed
Short-term - Non-fund based	31.00	36.00	[ICRA]A3; reaffirmed
Long-term / Short-term – Unallocated	4.10	14.75	[ICRA]BBB-(Stable)/[ICRA]A3; reaffirmed
<b>Total</b>	<b>150.00</b>	<b>150.00</b>	

\* Instrument details are provided in Annexure-I

### Rationale

The rating reaffirmation for Alliance Polysacks Private Limited (APPL) factors in the sustained improvement expected in the company's credit profile in the near to medium term on the back of recovery in its operating profitability margins (8.4% in 8M FY2025 Vs. 8.1% in FY2024 Vs. 6.7% in FY2023) and improvement in its working capital cycle, led by liquidation of high value inventory in H1 FY2025. The total debt reduced to Rs. 85.8 crore as on March 31, 2024 (Vs. Rs. 97.0 crore as on March 31, 2023), leading to an improvement in coverage and leverage indicators. In 8M FY2025, at a standalone level, the company reported provisional revenues of ~Rs. 200 crore, with OPM of 8.4%. With marginal revenues from its joint venture (JV) in USA (which started operations in H2 FY2025), APPL is expected to witness revenues of over Rs. 330 crore and OPM of around 8% for the full fiscal 2025. The ratings continue to derive comfort from the extensive experience of the promoters and the company's established track record in the flexible packaging industry, established customer base with repeat orders from reputed clients like JK Lakshmi Cement Ltd., RCCPL Pvt Ltd, etc, which allows for low counterparty risk and long-standing relationships with suppliers (mitigates the raw material supply risk).

ICRA notes that APPL has set up a 50:50 JV with the Kobawala Group (KG) in the US, which was previously associated with APPL as a distributor of its products there. Overall, investment of USD 6 million (including term loan and working capital debt) has been made in the JV, which will have an annual production capacity of 12 crore bags and revenue potential of USD 30 million (~Rs. 260 crore) at full capacity. The JV's financials will be consolidated with those of APPL on a line-by-line basis since it retains effective control over the entity, as it will be providing technical and management expertise, in addition to equity capital (~Rs. 3.5 crore – APPL's share has been already invested as on March 31, 2024). The commercial production under the JV started in October 2024. The ramp-up of the same is expected over the medium term and will remain a key rating monitorable.

The ratings, however, remain constrained by the elevated leverage (TOL/TNW of 1.3 times as on March 31, 2024 and expected to be at 1.5-1.7 times as of March 2025/March 2026) and average coverage metrics (interest cover of 2.9 times and debt service coverage ratio or DSCR of 1.1 times in FY2024) due to the debt-funded capex undertaken in the US JV, and high working capital intensity (net working capital (NWC)/ operating income (OI) at 32% as on March 31, 2024) of operations due to large inventory holding requirements. Further, despite YoY improvement, the company's profitability remains volatile, exposed to fluctuations in raw material prices. ICRA notes the segmental concentration in the customer profile with major sales derived from companies in the cement industry. The rating factors in APPL's exposure to intense competition in the polypropylene (PP) bag manufacturing industry owing to the presence of various organised and unorganised players.

The Stable outlook on the rating reflects ICRA's opinion that the company is likely to sustain its operating metrics, supported by its track record in the flexible packaging business, and its reputed clientele. Further, the company's debt coverage metrics are expected to remain commensurate with the rating level.

## Key rating drivers and their description

### Credit strengths

**Extensive experience of promoters and track record in the industry** – APPL’s promoters, with over two decades of experience in the industry, had started their business with Supreme Polymers Private Limited (SPPL) in 1997. Subsequently, they established other companies, including APPL. The extensive experience and technical knowledge of the promoters has helped the company build strong relationships with its customers.

**Strong clientele with long relationships** – The company secures repeat orders from reputed cement players like JK Lakshmi Cement Ltd., RCCPL (formerly Reliance Cement Ltd, now a part of the MP Birla Group), etc, which reduces the counterparty risk. With repeat orders from its key clients, at present, APPL is one of the leading producers of such bags in North India.

**Diversification in business profile with incorporation of US JV** – In FY2024, APPL has incorporated a 50:50 JV in the US with the KG (previously associated as a distributor of APPL’s products in the US) to manufacture PP bags, with an annual production capacity of 12 crore bags and revenue potential of USD 30 million. APPL will provide technical and managerial expertise, in addition to equity capital. The expansion of overseas operations could insulate APPL against cyclical downturns or adverse developments in any one geography. The ramp-up in operations of this JV company and expected benefits in terms of better profitability (anticipated in US market) will be a key monitorable in the medium term.

### Credit challenges

**Moderate operating profitability, vulnerability to volatility in raw material (RM) prices** – Polypropylene (PP) granules are the key raw material for manufacturing PP bags. Any adverse movements in its prices that cannot be entirely passed on to customers impacts profitability. While supply risks are mitigated to some extent by APPL’s long-standing relationship with IOCL, its key vendor, the company’s operating profitability has fluctuated within 6.7%-9.0% over the past five years. A part of APPL’s revenues is derived from trading in raw materials, wherein margins remain thin, which coupled with increasing competition, leads to subdued margins. Nonetheless, the standalone operating margins improved in FY2024 (8.1%) and 8M FY2025 (8.4%). With ramp-up in the overseas business, the margins are expected to benefit from FY2026 onwards.

**Working capital intensive operations; moderate coverage metrics** – APPL’s working capital intensity moderated marginally on a YoY basis, albeit stood at 32% in March 2024 (Vs. 35% in March 2023). The elevated working capital levels stem from high year-end inventory levels, which are driven by bulk purchase of RM (pre-agreed quantity as per agreement) to remain eligible for bulk discounts from suppliers. Apart from this, the company offers a maximum credit period of about two months to its clients and receives lower credit from suppliers, which impacts its cash conversion cycle, leading to high working capital utilisation at year-end. With YoY improvement in OPM, the coverage indicators remained moderate in FY2024 (interest cover at 2.9 times and DSCR at 1.1 times in FY2024 Vs. 2.6 times and 1.1 times respectively). Despite higher projected debt levels due to the capex and working capital debt at the JV, with scale-up in operations, steady profitability and staggered repayment obligations (as JV debt is long-tenured), the coverage metrics are expected to improve over the medium term.

**Low segmental diversification with bulk of clients in cement industry** – Most of APPL’s clients are cement industry players. As such, it remains exposed to sector concentration risk. While the same is expected to persist, the company has been focusing on increasing its export sales. The ramp-up in the US JV operations over the medium term is expected to aid in geographical diversification.

### Liquidity position: Adequate

APPL’s liquidity is expected to remain adequate, supported by steady cash accruals and buffer available in its working capital facilities, as reflected in average utilisation of 55% in the 12-month period ending on September 30, 2024. The company has debt repayments of ~Rs. 10-12.0 crore per annum in FY2025 and FY2026, which can be met through its internal accruals and limited capex requirements in the domestic operations. The capex undertaken in the US JV will be financed through long-term funds, which has been tied up with lenders. The company has also received the requisite permissions from the US Government.

## Rating sensitivities

**Positive factors** – ICRA may upgrade APPL's ratings if the company demonstrates a significant improvement in its scale of operations and its profitability metrics, leading to healthy cash accruals and liquidity position on a sustained basis. Further, Total Debt/OPBDITA below 2.7 times, on a sustained basis, would be crucial for a rating upgrade.

**Negative factors** – Negative pressure on APPL's ratings could arise if the company reports a significant decline in revenue and profitability, or undertakes any major debt-funded capital expenditure, or is unable to improve its working capital cycle, which adversely impacts its liquidity position and debt coverage metrics. Specific credit metrics which would be monitorable would be TD/OPBITDA to over 3.5 times or DSCR below 1.2 times, on a sustained basis.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate credit rating methodology</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Consolidated financials of issuer considered for analysis. Details of entities consolidated are mentioned under Annexure II.

## About the company

APPL was incorporated in 2010 with the primary focus on manufacturing AdStar sacks. The total installed capacity of its sole plant in Jaipur is 34,800 MT per annum. It produces AdStar PP woven sacks, along with a small portion of regular PP woven sacks.

Based in Jaipur, Rajasthan, the company is promoted by Mr. Sanjay Jain. He is also the promoter of Supreme Polymers Private Limited, Siddharth Polysacks Private Limited and Star Global Endura Limited – and all the four entities, including APPL – have been working in the field of HDPP/HDPE woven sacks for the last 20 years.

## Key financial indicators (audited)

	FY2023	FY2024	8M FY2025*
Operating income	298.4	296.7	199.3
PAT	6.0	6.3	6.0
OPBDIT/OI	6.7%	8.1%	8.4%
PAT/OI	2.0%	2.1%	3.0%
Total outside liabilities/Tangible net worth (times)	1.3	1.3	-
Total debt/OPBDIT (times)	4.9	3.6	-
Interest coverage (times)	2.6	2.9	1.5

Source: Company, ICRA Research; \*Provisional data – Standalone (or domestic) operations

All ratios as per ICRA's calculations; 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

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs. crore)	Jan 28, 2025	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
<b>Fund-based – Cash credit</b>	Long term	66.00	[ICRA]BBB-(Stable)	Nov 24, 2023	[ICRA]BBB-(Stable)	Jan 30, 2023	[ICRA]BBB-(Positive)	Nov 29, 2021	[ICRA]BBB-(Positive)
<b>Fund-based – Term loan</b>	Long term	33.25	[ICRA]BBB-(Stable)	Nov 24, 2023	[ICRA]BBB-(Stable)	Jan 30, 2023	[ICRA]BBB-(Positive)	Nov 29, 2021	[ICRA]BBB-(Positive)
<b>Non-fund based</b>	Short term	36.00	[ICRA]A3	Nov 24, 2023	[ICRA]A3	Jan 30, 2023	[ICRA]A3	Nov 29, 2021	[ICRA]A3
<b>Unallocated</b>	Long term/ Short term	14.75	[ICRA]BBB-(Stable)/ [ICRA]A3	Nov 24, 2023	[ICRA]BBB-(Stable)/ [ICRA]A3	Jan 30, 2023	[ICRA]BBB-(Positive)/ [ICRA]A3	Nov 29, 2021	[ICRA]BBB-(Positive)/ [ICRA]A3

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Cash credit	Simple
Long-term fund-based – Term loans	Simple
Short-term – Non-fund based	Very Simple
Long-term/ Short-term – Unallocated	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	66.00	[ICRA]BBB- (Stable)
NA	Term loans	FY2018	NA	FY2030	33.25	[ICRA]BBB- (Stable)
NA	Short-term – Non-fund based	NA	NA	NA	36.00	[ICRA]A3
NA	Long-term/ Short-term - Unallocated limits	NA	NA	NA	14.75	[ICRA]BBB- (Stable)/ [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

Company Name	APPL Ownership	Consolidation Approach
Alliance Polysacks Private Limited	-	Full Consolidation
Alliance Polysacks USA Inc.	50%	Full Consolidation

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