

February 28, 2025

## Canpac Trends Pvt. Ltd.: Ratings upgraded to [ICRA]BBB+/[ICRA]A2; Outlook revised to Stable from Positive; assigned for enhanced amount

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term – Fund Based – Term Loans	96.54	165.00	[ICRA]BBB+(Stable); Upgraded from [ICRA]BBB; Outlook revised to Stable from Positive; Assigned for enhanced amount
Long Term – Fund Based – Cash Credit/WCDL/Invoice Discounting	80.00	-	-
Long-term Fund based – Cash Credit	(11.00)*	-	-
Short Term – Non-Fund Based – Letter of Credit, Bank Guarantee & Credit Exposure Limit	22.37	-	-
Short Term – Non-Fund Based – Letter of Credit	(11.00)*	-	-
Long Term – Fund Based - Working Capital Facilities	-	98.00	[ICRA]BBB+(Stable); Upgraded from [ICRA]BBB; Outlook revised to Stable from Positive; Assigned for enhanced amount
Short Term – Non Fund-Based Facilities	-	30.37	[ICRA]A2; Upgraded from [ICRA]A3+; Assigned for enhanced amount
<b>Total</b>	<b>198.91</b>	<b>293.37</b>	

\*Instrument details are provided in Annexure I

### Rationale

The ratings upgrade reflects the improvement in Canpac Trends Pvt Ltd.'s (CTPL) credit profile on the back of sizeable equity infusion, supporting capacity expansion, which is expected to result in a strong scale-up of operations over the medium term. Investcorp India acquired stake in CTPL in two tranches in March 2024 and November 2024. The equity investment was a combination of primary infusion and secondary investment. The company is using the infused equity to fund organic and inorganic expansion, which is expected to increase CTPL's capacity over the next six months and expand its product offerings. Increased capacity and healthy demand for the company's key products such as folded cartons and paper bags are expected to result in a strong growth in FY2026. In FY2024, the company's revenues moderated by 14% despite volumes growth due to correction in paper prices. The company is expected to record a healthy revenue growth of 15-20% in FY2025, driven by a strong growth in volumes. CTPL is likely to maintain a healthy operating margin of ~16%, which along with the increased scale of operations, is expected to result in improved debt coverage metrics, including DSCR. The rating continues to be supported by the extensive experience of CTPL's promoters in the packaging industry, its established relationships with reputed clients, and a diversified product portfolio.

However, the ratings remain constrained by CTPL's presence in a very competitive industry and its exposure to raw material price volatility, which could impact its margins. The company's ability to pass on the cost increases to customers remains an important monitorable. While the recent capacity expansions and acquisitions are expected to support growth, CTPL's scale continues to remain moderate. The ratings also consider the high working capital intensive nature of the business, primarily due to high inventory holdings.

The Stable outlook on the long-term rating reflects ICRA's expectation that CTPL will witness a healthy scale-up of operations, supported by new customer acquisitions, synergies from the recent acquisitions, and capacity expansion.

## Key rating drivers and their description

### Credit strengths

**Established presence and extensive experience of promoters in the packaging industry** – CTPL’s promoters have extensive experience of over two decades in trading and outsourced manufacturing of paper and packaging products before venturing into manufacturing of packaging materials. CTPL commenced manufacturing from October 2011 and has significantly scaled up its operations over the years with expansion of its capacity and portfolio.

**Diversified product portfolio and established relationships with reputed customers** – The company started its commercial journey by manufacturing folding cartons and corrugated boxes. The company also forayed into flexible packaging, paper bags and luxury packaging to offer comprehensive packaging solutions to its clientele. Its enhanced product portfolio enabled CTPL to on-board reputed clients from diverse industries, such as food, FMCG, dairy, pharmaceuticals, textiles and retail. Established relationships with its customers ensure repeat business and revenue stability.

**Improved financial profile, backed by equity infusion; new capacity and acquisitions to boost scale and earnings, going forward** – CTPL received fund infusion from Investcorp in the current fiscal, which was utilised towards organic and inorganic expansions. The company is expected to ramp up its operations, going forward, with new plants commencing operations in Hyderabad and NCR shortly, apart from the acquisition of Saptagiri Packaging Private Limited, which will augment growth in revenues and earnings in the medium term. The company’s gearing improved to 0.4 times as on December 31, 2024 from 1.0 times as on March 31, 2024 as equity infusion strengthened the net worth and its debt level moderated to Rs. 131.3 crore from Rs. 174.4 crore as on March 31, 2024. Despite the sizeable debt-funded capex expansion plans, the company’s debt coverage metrics are expected to improve on the back of increased earnings.

### Credit challenges

**Relatively moderate scale of operations** – Although the company’s revenue rose at a healthy CAGR of ~13% over the last five years to Rs. 331.8 crore in FY2024, its scale of operations continues to remain moderate at an absolute level relative to the size of the packaging industry, resulting in limited economies of scale. Nevertheless, the scale of operations is expected to improve, going forward, with new capacity addition and acquisitions. The company’s ability to successfully ramp up its scale of operations while maintaining healthy margins will be a key rating monitorable.

**Susceptibility of profitability to volatile raw material prices and forex fluctuations** – CTPL’s major raw materials include paper, duplex sheets and laminate films, which comprise 60-65% of the total manufacturing cost. The prices of raw materials have remained volatile over the years, thus, any adverse movement in the input prices exposes the profitability to volatility. Although, the company has been able to pass on the price rise in the past, its ability to continue to do so, going forward, will be a key factor for maintaining its profitability metrics.

**Presence in competitive and fragmented packaging industry** – The business environment is competitive, given the fragmented and unorganised structure of the packaging industry. A large portion of the industry is serviced by unorganised players, which cater to small-scale requirements of clients across the industries, while the remaining market is dominated by a few major players. This limits the company’s pricing flexibility and, thereby, exerts pressure on its profitability. However, CTPL’s diverse product profile and its established client relationships mitigate the risk to some extent.

### Liquidity position: Adequate

CTPL’s liquidity position remains adequate, supported by steady cash flow generation and unutilised working capital limits of Rs. 65 crore, as on December 31, 2024. The working capital utilisation stood at an average of ~62% against the sanctioned limits for the 12 months ending in December 2024. Further, the company has undrawn term loan of Rs. 24 crore (sanctioned Rs. 35 crore) as on December 31, 2024, from Bajaj Finance which was sanctioned for inorganic expansions and an additional undrawn term loan of Rs. 25 crore from HDFC Bank for the reimbursement of capex incurred for its new plant in Hyderabad.

Further, the company is in the process of availing term loan of Rs. 40 crore from SBI, which would be utilised towards reimbursement of capex incurred and the remaining capex to be incurred towards greenfield and brownfield expansions, which would largely be concentrated in the western and the northern regions. Against this, company is expected to incur capex of Rs. 40-50 crore over the next 12 months and has debt repayment obligations of Rs. 25-27 crore per annum in FY2026 and FY2027, and its cash flows are expected to be adequate to service the same.

## Rating sensitivities

**Positive triggers** – ICRA could upgrade CTPL’s ratings if it demonstrates a steady ramp-up in scale and sustenance of healthy profitability, leading to improvement in debt protection metrics. Better management of working capital, resulting in sustained improvement in liquidity position will also be positive for the ratings.

**Negative triggers** – ICRA could downgrade the ratings if a material decline in CTPL’s earnings or high debt-funded capex or acquisitions impacts its debt metrics. Stretch in the working capital cycle, impacting its liquidity position would also be a negative rating trigger. Specific credit metrics that could lead to ratings downgrade include DSCR of less than 1.5 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	The ratings are based on the consolidated financial profile of the company.

## About the company

Ahmedabad-based Canpac Trends Pvt. Ltd., promoted by the Todi family, commenced operations from 2011. It manufactures packaging materials such as printed folded cartons (mono cartons) and micro-flute cartons (corrugated) based on offset printing technology. In FY2019, CTPL ventured into flexible packaging products such as laminates based on gravure printing technology, paper bags and luxury packaging. Its end-products find application in a wide range of industries, such as FMCG, pharmaceuticals, dairy, textiles, and foods. CTPL also merged its wholly-owned subsidiary, Canpac Multi-ply Pvt. Ltd., with CTPL on March 31, 2017. CMPL was based out of Tirupur (Tamil Nadu) and is also involved in a similar business sector. Further, in FY2022, to grow its geographical presence in East India, CTPL acquired the customer base of a Kolkata-based entity, which has a track record of around 20 years in the packaging industry. CTPL has set up two new manufacturing lines for folding cartons in Kolkata in FY2023. In the current fiscal, the company is adding manufacturing plants in Hyderabad and NCR, which are expected to commercialise from Q1 FY2026. It acquired operations of a Silvassa-based entity, which produces folded cartons and blister packs.

## Key financial indicators (audited)

CTPL	FY2024	9M FY2025*
Operating income	331.9	292.6
PAT	10.0	18.1
OPBDIT/OI <sup>^</sup>	15.7%	17.2%
PAT/OI	3.0%	6.2%
Total outside liabilities/Tangible net worth (times)	1.4	0.6
Total debt/OPBDIT (times)	3.4	2.0
Interest coverage (times)	3.3	3.9

Source: Company, ICRA Research; ^Adjusting for one-time expenses of Rs. 9.84 crore incurred towards transaction costs of acquisitions, etc., the company operating margin in FY2024 would be ~19%; \*Provisional numbers; 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

Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs Crore)	28-Feb-2025	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
Long term-term loan-fund based	Long Term	165.00	[ICRA]BBB+ (Stable)	29-Nov-2023	[ICRA]BBB (Positive)	05-Dec-2022	[ICRA]BBB (Stable)	01-Jul-2021	[ICRA]BBB (Stable)
				-	-	-	-	11-Mar-2022	[ICRA]BBB (Stable)
Long Term – Fund Based - Working Capital Facilities	Long Term	98.00	[ICRA]BBB+ (Stable)	-	-	-	-	-	-
Short Term – Non Fund-Based Facilities	Short Term	30.37	[ICRA]A2	-	-	-	-	-	-
Short term-others-interchangeable	Short Term	-	-	29-Nov-2023	[ICRA]A3+	05-Dec-2022	[ICRA]A3+	01-Jul-2021	[ICRA]A3+
				-	-	-	-	11-Mar-2022	[ICRA]A3+
Long term-cash credit-fund based	Long Term	-	-	29-Nov-2023	[ICRA]BBB (Positive)	05-Dec-2022	[ICRA]BBB (Stable)	01-Jul-2021	[ICRA]BBB (Stable)
				-	-	-	-	11-Mar-2022	[ICRA]BBB (Stable)
Short term-others-non fund based	Short Term	-	-	29-Nov-2023	[ICRA]A3+	05-Dec-2022	[ICRA]A3+	01-Jul-2021	[ICRA]A3+
				-	-	-	-	11-Mar-2022	[ICRA]A3+
Long term-others-interchangeable	Long Term	-	-	29-Nov-2023	[ICRA]BBB (Positive)	05-Dec-2022	[ICRA]BBB (Stable)	01-Jul-2021	[ICRA]BBB (Stable)
				-	-	-	-	11-Mar-2022	[ICRA]BBB (Stable)
Unallocated Limits	Long Term/ Short Term	-	-	-	-	-	-	01-Jul-2021	[ICRA]BBB (Stable)/ [ICRA]A3+
				-	-	-	-	11-Mar-2022	[ICRA]BBB (Stable)/ [ICRA]A3+

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Term loan	Simple
Long Term – Fund Based - Working Capital Facilities	Simple
Short Term – Non Fund-Based Facilities	Very 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 loans	FY2018-2022	NA	FY2027-2030	165.00	[ICRA]BBB+(Stable)
NA	Working capital facilities	NA	NA	NA	98.00	[ICRA]BBB+(Stable)
NA	Non Fund-Based Facilities	NA	NA	NA	30.37	[ICRA]A2

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	Ownership	Consolidation approach
Sweetdisp Private Limited	100.00%	Full consolidation
Altpac Private Limited	100.00%	Full consolidation

Source: CTPL

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