Knack Packaging Ltd

IPO NOTE | 30th June,2026

Canara Bank Securities Ltd
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ABOUT THE COMPANY: Knack Packaging Limited, founded in Gujarat in 2013, is an integrated, export-focused maker of Printed and Laminated Woven Polypropylene bags (including pinch-bottom) for food, agri, pet-feed, fertiliser and industrial clients. Operating four plants in the Kadi-Mehsana belt, it has 43,300 MTPA capacity, serves 1,950+ customers across 71 countries, and made ~56.3% of FY26 revenue from exports.

KEY BUSINESS INSIGHTS:

Knack follows a fully vertically integrated model — from PP granule processing to tape-making, weaving, gravure printing, lamination and bag finishing — providing end-to-end packaging solutions under one roof. Its flagship products, PLWPP Bags (73.37% of revenue) and PLWPP Pinch Bottom Bags (20.27%), are premium, tamper-proof, six-side-branded packaging formats that command higher realisations than conventional woven sacks. The company maintains 73,000+ printing cylinders for 13,379 SKUs, creating deep customer stickiness (customer continuity rate: 93.75% in FY26). Renewable energy (solar + wind) now meets ~80% of energy needs. For FY26 (restated consolidated), revenue from operations stood at ₹823.43 Cr, EBITDA at ₹172.29 Cr (20.42% margin), and PAT at ₹92.72 Cr (10.99% margin).Total borrowings as at March 31, 2026 were ₹192.47 Cr, against a net worth of ₹308.19 Cr (D/E: 0.62x), with a healthy DSCR of 4.95x.

OUR VIEW: Knack Packaging is a high-return, export-led specialist in PP packaging, with FY26 RoCE of 46.7% and RoE of 35.8% — best among disclosed peers. Revenue grew ~12% CAGR over FY24–FY26 while EBITDA margin expanded to 20.4%, driven by operating leverage and a shift to premium pinch-bottom bags. Exports (71 countries) accounted for 56% of FY26 revenue; the US (23.7%) is a concentration risk, though management says US customers absorb extra freight/tariff costs. A ₹380 Cr fresh issue (₹320 Cr capex for Borisana) aims to double capacity to ~92,000 MTPA. The offer includes a sizeable OFS (3.5m promoter shares) that warrants governance/dilution scrutiny. The company has a higher P/E ratio of 18.34 than its peers though its justified by its higher return ratios(ROE & ROCE) and hence the premium valuation is justified. Overall business quality and sector tailwinds support a **Subscribe (long-term) rating.**

ISSUE DETAILS	
Price Band (in ₹ per share)	161-170
Issue size (in ₹ Crore)	439.00
Fresh Issue (in ₹ Crore)	380.00
Offer for Sale (in ₹ Crore)	59
Issue Open Date	01-07-2026
Issue Close Date	03-07-2026
Tentative Date of Allotment	06-07-2026
Tentative Date of Listing	08-07-2026
Total Number of Shares (in lakhs)	258.53
Face Value (in ₹)	10.00
Exchanges to be Listed on	BSE & NSE

APPLICATION	LOTS	SHARES	AMOUNT (₹)
Retail (Min)	1	88	₹14,960
Retail (Max)	13	1,144	₹1,94,480
S-HNI (Min)	14	1,232	₹2,09,440
S-HNI (Max)	66	5,808	₹9,87,360
B-HNI (Min)	67	5,896	₹10,02,320

BRLMs: Systematix Corporate Services Limited, IDBI Capital Markets & Securities Limited, Pantomath Capital Advisors Private Limited

PROMOTERS: MR.ALPESH TULSIBHAI PATEL , MR.PRAVINKUMAR AMBALAL PATEL AND MR.RASHMINBHAI TULSIBHAI PATEL.

BRIEF FINANCIALS

PARTICULARS (Rs. Cr)*	FY26	FY25	FY24
Share Capital	100.00	50.00	5.00
Net Worth	308.19	214.71	140.62
Revenue from Operations	823.43	736.49	654.56
EBITDA	172.29	144.34	101.37
EBITDA Margin (%)	20.42	19.31	15.38
Profit/(Loss) After Tax	92.72	73.15	45.98
EPS (in Rs.)	9.27	7.38	4.6
Net Asset Value (in Rs.)	30.82	21.47	14.06
Total borrowings	192.47	172.06	173.09
P/E#	18.34	NA	NA
P/B#	5.52	NA	NA

** Restated consolidated financials; #Calculated at upper price band 170, ^Annualised EPS*

Source: RHP

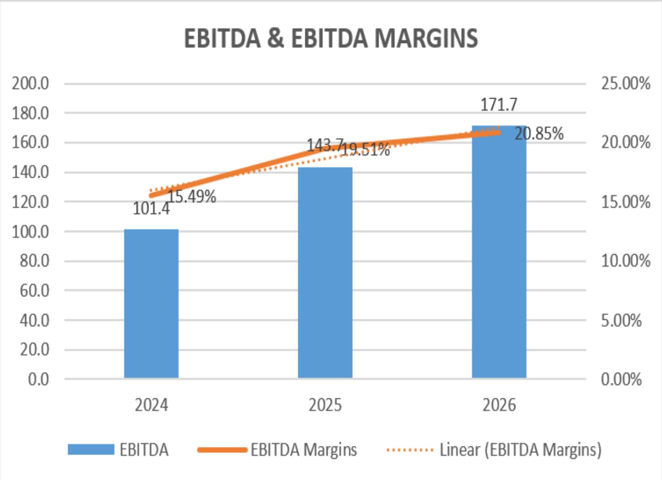
FINANCIAL STATEMENTS

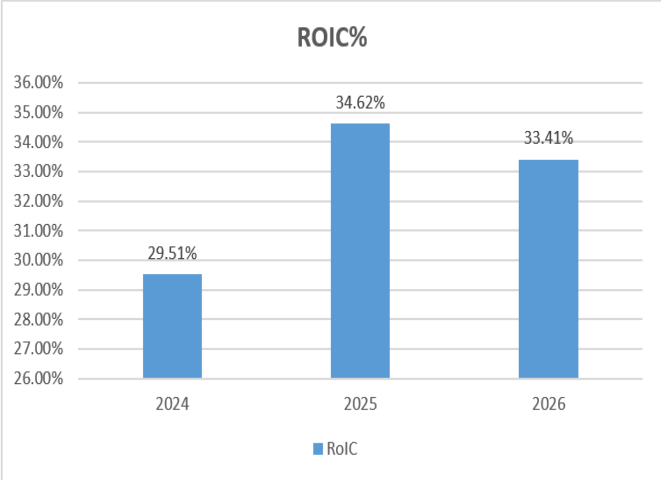
Particulars	FY2024	FY2025	FY2026
I.Income			
Revenue from Operations	654.56	736.49	823.43
Other income	4.45	10.89	20.34
Total income	**659.01**	**747.38**	**843.77**
II.Expenses			
Cost of materials consumed	395.99	438.27	490.85
Cost of materials consumed as a % Revenue	*60.50%*	*59.51%*	*59.61%*
Purchase of stock in trade	3.96	5.50	5.34
Purchase of stock in trade as a % Revenue	0.60%	0.75%	0.65%
Changes in inventories of finished goods, work-in-progress and stock in trade	-6.90	1.00	-17.38
Changes in Inventories of Finished Goods and Work-in-Progress as a % Revenue	-1.05%	0.14%	-2.11%
Employee benefits expense	45.51	42.03	47.13
Employee Benefit Expenses as a % Revenue	6.95%	5.71%	5.72%
Other expenses	119.08	116.24	145.54
Other Expenses as a % Revenue	18.19%	15.78%	17.67%
Total expenses	**557.63**	**603.70**	**672.12**
EBITDA	**101.38**	**143.68**	**171.65**
EBITDA Margins	**15.5%**	**19.5%**	**20.8%**
Less			
Depreciation and amortisation expense	24.34	28.15	29.30
EBIT	**77.04**	**115.53**	**142.35**
EBIT Margins	**12%**	**15%**	**17%**
Less			
Finance cost	15.29	16.96	15.91
Profit before share of profit of joint venture, exceptional item and income tax	61.75	98.57	126.44
Exceptional Item (Impact of Labour Codes)	0.00	0.00	1.08
Share of profit/(loss) of joint venture, net of tax	0.00	0.00	-0.94
III.Profit from continuing operations before tax(PBT)	**61.75**	**98.57**	**124.42**
IV.Tax Expense			
Current tax	14.91	23.90	29.31
Deferred tax	0.87	1.52	3.03
Total tax expenses	**15.77**	**25.42**	**32.34**
V.Profit for the year / Profit After Tax (PAT)	**45.98**	**73.15**	**92.08**
PAT Margins	**7%**	**10%**	**11%**
VI.EPS			
Basic	4.60	7.38	9.27
Diluted	4.60	7.38	9.27

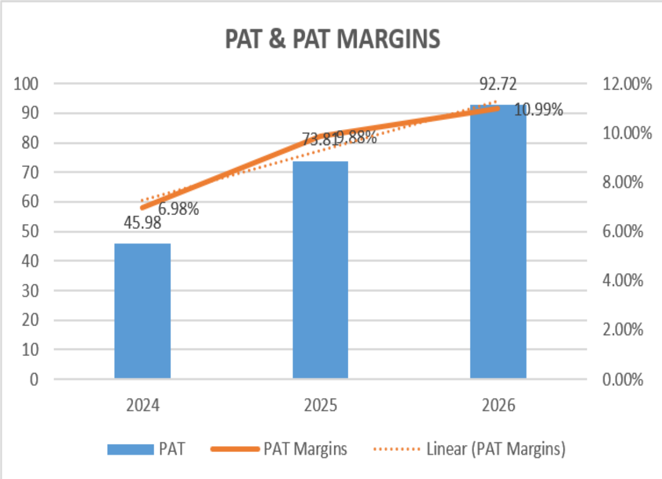
Particulars	FY2024	FY2025	FY2026
I. ASSETS			
1.Non-Current Assets			
Property, Plant and Equipment	148.3	145.7	233.28
Capital Work in progress	0.95	12.83	0
Other Intangible Assets	0.15	0.52	0.57
Right-of-use assets	13.23	14.68	11.69
Investments accounted for using equity method	0	0	3.46
Financial Assets - Other Financial Assets	0.23	5.05	5.26
Deferred Tax Assets (Net)	0.35	0	0
Other Non-Current Assets	2.36	22.46	40.25
Total Non-Current Assets	**165.55**	**201.24**	**294.49**
2.Current Assets			
Inventories	84.33	92.34	119.32
Trade Receivables	116.01	120.65	138.3
Cash and Cash Equivalents	2.97	11.36	6.13
Other balances with banks	0.59	0.54	0.39
Loans	0.8	10.61	5.06
Other Financial Assets	3.25	2.58	3.48
Other Current Assets	5.88	10.03	28.07
Total Current Assets	**213.83**	**248.12**	**300.75**
TOTAL ASSETS	**379.38**	**449.36**	**595.25**
II. EQUITY AND LIABILITIES			
A.Equity			
Equity Share capital	5	5	100
Other Equity	135.62	209.71	208.19
Total Equity	**140.62**	**214.71**	**308.19**
B.LIABILITIES			
1.Non-current Liabilities			
Borrowings	56.1	49.96	39.47
Lease Liabilities	15.45	15.02	12.66
Deferred Tax Liabilities (Net)	0	1.09	4.22
Total Non-Current Liabilities	**71.56**	**66.07**	**56.35**
2.Current Liabilities			
Borrowings	116.99	122.1	153.01
Lease Liabilities	1.11	1.11	0.81
Trade Payables (MSME)	3.44	4.05	6.43
Trade Payables (Other than MSME)	36.49	31.24	36.13
Other Financial Liabilities	4.17	4.22	21.58
Other Current Liabilities	2.83	2.06	3.19
Provisions	0.29	0.01	0.13
Current tax Liabilities (net)	1.9	3.79	9.44
Total Current Liabilities	**167.2**	**168.58**	**230.72**
TOTAL EQUITY AND LIABILITIES	**379.38**	**449.36**	**595.25**

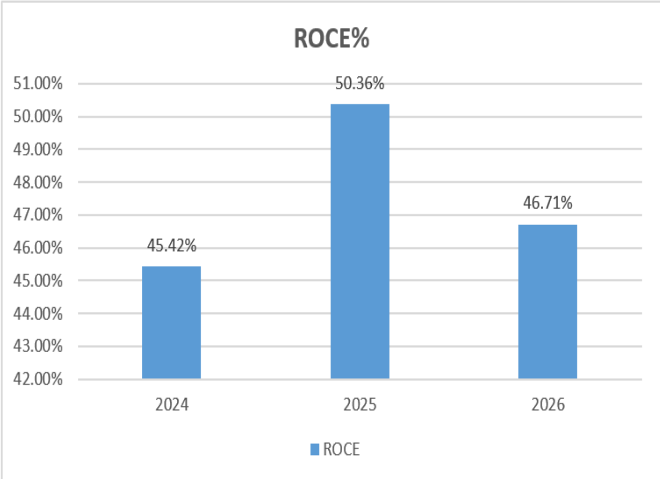
Particulars	FY2026	FY2025	FY2024
Cash generated from operating activities	115.54	116.15	46.51
Income tax paid (net of refunds)	-23.56	-22.09	-14.06
Net cash generated from operating activities	91.98	94.05	32.45
Net cash used in investing activities	-100.11	-66.51	-68.55
Net cash (used in) / generated from financing activities	2.90	-19.16	34.42
Net increase / (decrease) in cash and cash equivalents	**-5.23**	**8.39**	**-1.68**
Balance as at beginning	11.36	2.97	4.65
Cash and cash equivalent as at year end	***6.13***	***11.36***	***2.97***

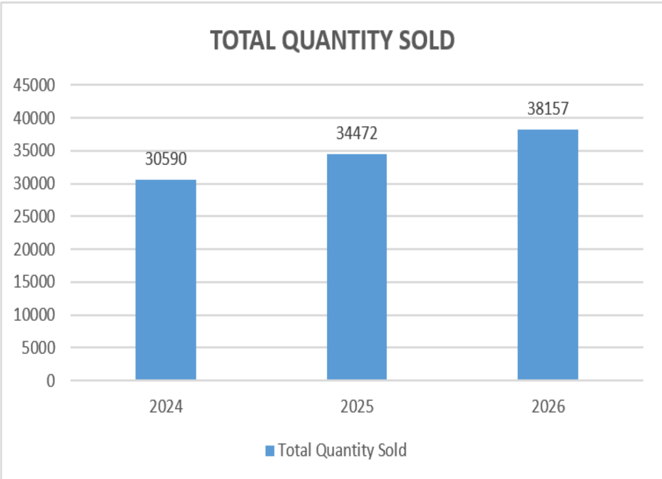
STORY IN CHARTS

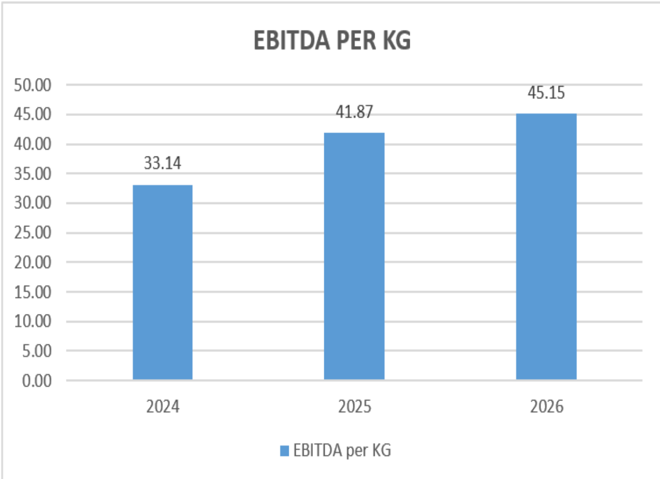












OBJECTS OF THE OFFER

Fresh Issue proceeds (₹380 Cr gross):

- Partial funding of capital expenditure towards setting up a new manufacturing facility at Borisana, Kadi, Mehsana, Gujarat (Project Site): ₹320.00 Cr from Net Proceeds (Total project cost: ₹364.96 Cr; balance through internal accruals)
- General corporate purposes: Balance (up to 25% of gross proceeds per SEBI ICDR Regulations)

INDUSTRY REVIEW

Industry Size & Market Share

- Global: The global flexible bulk packaging (5–50kg) market is projected to grow from USD 90.7 billion in CY2025 to USD 109.3 billion by CY2029.
- India: The Indian Printed and Laminated Woven Polypropylene (PLWPP) bulk bags market is expected to nearly double from INR 28.6 billion in FY2025 to INR 50.0 billion by FY2029, growing at a 15.0% CAGR.
- Market Share: Knack Packaging is India's largest manufacturer of PLWPP and PLWPP Pinch Bottom bags by revenue, holding a 10.1% domestic market share for FY2025.

Scope & Tailwinds (Growth Drivers)

- Branding & E-commerce: A major shift from unbranded sacks to high-quality, branded packaging for bulk commodities, alongside the rapid expansion of e-commerce logistics.
- China Plus One: Global brands diversifying their supply chains away from China provides a significant export opportunity for Indian manufacturers.
- Sustainability: A growing preference for 100% recyclable, mono-material plastic packaging over complex multi-layered alternatives.

Headwinds (Threats & Challenges)

- Cost Volatility: High vulnerability to crude oil price fluctuations, which directly impact the cost of polypropylene (PP) granules.
- Regulatory & Environmental Pressures: Stringent environmental policies, potential plastic bans, and a lack of adequate recycling infrastructure in India.
- Geopolitics: Elevated ocean freight rates, shipping delays due to global conflicts (e.g., Red Sea corridor), and U.S. import tariffs.

How the Company is Well-Placed

- Vertical Integration & Margins: The company manages the entire production cycle in-house (from PP granules to final bags), which helps it achieve the highest profitability margins and return ratios among its direct peers.
- First-Mover Advantage: It is the first company in India and Asia to offer laser-cut and easy-open features in PLWPP pinch bottom bags.
- Customer Stickiness: The company holds a massive competitive moat by storing over 73,000 custom printing cylinders for its clients, making it highly inconvenient for customers to switch suppliers.
- Global Reach: It mitigates regional risks by exporting to 71 countries (constituting over 56% of its revenue) and has established a joint venture in Mexico to capture North American demand.

COMPETITIVE STRENGTHS OF THE COMPANY

Vertically Integrated, High-Barrier Manufacturing Platform

- End-to-end in-house capabilities spanning PP granule processing, tape extrusion, circular weaving, gravure printing, lamination and bag finishing, across four manufacturing units in Kadi-Mehsana, Gujarat. This integration provides cost control, quality consistency and lead-time advantages unavailable to non-integrated peers.
- As of May 31, 2026, effective installed capacity stands at 43,300 MTPA; capacity utilisation has remained above 81% even post new unit additions, demonstrating sustained demand pull.

Proprietary Cylinder Library and Customer Stickiness

- The company holds 73,000+ printing cylinders developed for 1,950+ customers, serving as a custodian of customers' branding material. This cylinder library creates a structural switching barrier; customers rarely shift printers mid-lifecycle.
- Customer continuity rate of 93.75% in FY26 and 95.35% in FY24 demonstrates the durability of customer relationships across global geographies.

Export Leadership and Global Diversification

- Revenue from 71 countries; exports contribute 56.30% of FY26 revenue. Key markets include the USA (23.66%), Mexico (6.12%), South Africa (5.41%) and Sudan (3.92%).
- Wholly-owned subsidiary in South Africa (Knack Packaging SA RF Pty Ltd) and a joint venture in Mexico (Sayem Knack S.A. de C.V., 50:50) provide in-country presence in strategically important markets.

- Premium Product Mix and Innovation (PLWPP Pinch Bottom Bags)

- PLWPP Pinch Bottom Bags (20.27% of FY26 product revenue, growing) feature six-side branding, tamper-proof sealing, hot-stamping, RFID and NFC tagging — commanding materially higher realisations than commodity woven sacks.
- 4% lower material consumption due to optimised design reduces input costs while maintaining superior structural integrity.

Digitised Operations and Strong Return Ratios

- ERP (SAP S/4 HANA), CRM (Microsoft Dynamics 365), and the proprietary "Knack Galaxy" platform provide real-time order tracking, resource allocation and workflow visibility.
- RoCE of 46.71%, RoIC of 33.41%, and RoE of 35.75% in FY26 are the highest among disclosed peers; EBITDA per kg improved from ₹33.14 (FY24) to ₹45.15 (FY26).

RISK FACTORS

Concentration and Operational Risks

- Raw material concentration: The top supplier accounts for 35.78% and the top 10 suppliers for 86.21% of total raw material purchases in FY26. No long-term purchase contracts are in place; spot procurement exposes the company to price and supply disruptions.
- All manufacturing is concentrated in a single geographic zone (Kadi-Mehsana, Gujarat); any regional disruption — natural calamity, political event or infrastructure failure — could materially affect operations.
- Top 10 customers contributed 40.87% of FY26 revenue; absence of formal contracts with major customers means any customer attrition could impact revenue visibility.

Financial and Supply-Chain Risks

- US geographic concentration: 23.66% of FY26 revenue originates from US-based customers; adverse trade-policy shifts (tariffs, import restrictions) or US macroeconomic slowdown can impair a significant revenue stream.
- Working capital intensity: Trade receivables were ₹138.30 Cr (16.80% of FY26 revenue from operations); credit extended to customers (60–90 days for exports) exposes the company to collection risk and cash-flow pressure during downturns.
- Total borrowings of ₹192.47 Cr (FY26) carry lender charges over moveable and immoveable assets; covenant breach or debt-servicing failure could restrict operations.

Regulatory, Lease and Governance Risks

- Project execution risk: The new Borisana facility's estimated cost has already been revised from ₹514.89 Cr to ₹364.96 Cr (due to machinery substitution and timeline extension from December 2026 to October 2027). Further cost overruns or delays would defer capacity accretion.
- All core manufacturing and registered office premises are leased from Promoters or Promoter Group members. Non-renewal or related-party friction in lease terms could disrupt operations; conflict of interest in negotiating renewal terms is a governance concern.
- Unit 3 and Unit 4 operate under approvals held in the name of lessors (Praspack Polymers and Multipack Polymers respectively); expiry or termination of those leases would invalidate the operating approvals for those units.

PEER COMPARISON

Name of the company	Total Income(in cr)	Face Value (Rs per share)	EPS (in Rs)	NAV (Per share Rs)	RoE (%)	P/E*	P/B*
Knack Packaging Limited FY26	823.43	10	9.27	30.82	35.47	18.34	5.52
Time Technoplast Limited	6105.2	1	9.99	84.4	13.37	17.86	2.11
TCPL Packaging Limited	1810.22	10	107.47	791.28	14.34	28.19	3.83
Mold-tek Packaging Limited	886.51	5	21.93	207.57	10.98	31.83	3.36

*P/E & P/B ratio based on closing market price as of June 29th 2026,at the upper price band of IPO, financial details consolidated audited results as of FY25.

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