

Knack Packaging Ltd.

Knack Packaging Limited was incorporated in 2013 and is headquartered in Ahmedabad, Gujarat. It manufactures and exports PP/HDPE woven sacks and BOPP-laminated PP woven bags, high-strength flexible packaging used for bulk goods (5–50 kg) like grains, pulses, pet food, fertilizers, and cement. It's one of India's largest players in this niche, holding roughly 10% market share, and serves both domestic brands (KRBL, Drools, DCM Shriram) and global customers (Cargill) across 70+ export markets.

Company Overview:

- Knack is one of India's largest manufacturers of Printed & Laminated Woven Polypropylene (PLWPP) Bags and Pinch Bottom Bags in the 5–50 kg range, having reported revenue from operations of ~₹823 crore in FY26.
- The company holds the distinction of being the first in India and Asia to introduce laser-cut and easy-open features in PLWPP pinch bottom bags, establishing itself as a long-standing innovator in flexible bulk packaging.
- As of FY25, Knack held an estimated 10.1% share of India's flexible bulk PLWPP bags market, positioning it among the leading domestic manufacturers in the segment.
- The company follows a B2B2C business model, with its client base spanning marquee domestic brands such as Drools, KRBL, DCM Shriram, and Baba Agro Food, alongside global players including Cargill.
- On the exports front, Knack services customers across 75+ countries, with presence across food, pet food, agriculture, fertilizers, chemicals, and industrial sectors.
- The company's manufacturing footprint spans 1.12 million sq. ft. of land and 726,636 sq. ft. of built-up area, supporting an annual production capacity of 36,400 MTPA.
- Knack's product portfolio comprises 12,000+ SKUs, backed by 67,000+ printing cylinders, enabling it to offer a high degree of customization across packaging formats and end-use applications.
- The company's operations are supported by a workforce of approximately 1,300 employees, covering production, quality assurance, and customer servicing across domestic and international markets.

Industry Overview:

- The global packaging industry was valued at USD 1.2 trillion in FY2024 and is expected to reach USD 1.5 trillion by FY2029, a CAGR of ~4.6%, driven by rising consumption and urbanization
- Flexible packaging is the second-largest packaging segment globally, accounting for 23.8% of the market, with strong demand from food, agriculture, chemicals, and industrial sectors; in India, the PLWPP bulk bags (5–50 kg) niche alone was valued at ~₹28,600 crore in FY25 and is projected to reach ~₹50,000 crore by FY29, a CAGR of ~15%
- The global flexible bulk packaging (5–50 kg) market stood at USD 86.4 billion in FY2024 and is projected to reach USD 109 billion by FY2029, a CAGR of ~4.8%.
- Growing preference for PLWPP and BOPP laminated bags is driven by their superior strength, moisture resistance, branding capabilities, and shelf appeal.
- In India, industry growth is supported by expanding manufacturing, agriculture, organized retail, and government initiatives such as Make in India and PLI scheme

Product Offerings & Brands:

- **PLWPP Bags:** Printed & Laminated Woven Polypropylene Bags, customised, high-strength bags in the 5–50 kg range used across food, agro, pet food and industrial applications; Flagship product contributing ~73.4% of product revenue in FY26.
- **PLWPP Pinch Bottom Bags:** Premium flat-bottom woven PP bags with six-side branding and tamper-proof closure; First product in India and Asia to feature laser-cut, easy-open integration contributing ~20.3% of product revenue in FY26.
- **PP Woven Bags:** Standard unlaminated woven polypropylene bags for cost-effective bulk packaging in agro, commodity and industrial segments contributing ~2.3% of product revenue in FY26.

- **Block Bottom Bags:** Flat-bottomed, stand-up bags offering superior shelf stability suited for retail-facing food and consumer goods packaging contributing ~1.3% of product revenue in FY26.
- **Bottom Gusset Bags:** Bags with an expandable bottom gusset providing additional volume capacity and a stable base for heavier or bulkier fill materials contributing ~0.9% of product revenue in FY26.
- **Value-Added Features:** ~20 add-on solutions offered across all bag formats including RFID, QR codes, barcodes, hot stamping, laser perforation, easy-open features, window cuts and various handle and gusset configurations

Capacity:

- Company operates 4 manufacturing units in Gujarat, Unit 1 (final PLWPP bags), Unit 2 (tape extrusion), Unit 3 (fabric, liner, printing & lamination), and Unit 4 (fabric & liner; commissioned in Apr'26)
- Effective installed capacity stands at 43,300 MTPA, up from ~36,400 MTPA as of FY25.
- The ~19% jump in installed capacity is primarily on account of Unit 4 being commissioned in April 2026.
- Capacity utilisation on combined effective installed capacity stood at 88.7% (FY24), 86.0% (FY25) and 81.6% (FY26)

Marquee Clients:

- **Cargill:** Global agro-commodities giant; one of Knack's key export-facing clients with a strategic innovation partnership that supports product development and global market access.
- **KRBL:** India's largest basmati rice brand (India Gate); a relationship dating back to 2013, underscoring Knack's position as a long-term packaging partner for premium food brands.
- **Drools Pet Food:** Leading domestic pet food brand; uses Knack's PLWPP bags for retail-shelf packaging, reflecting the company's penetration into the fast-growing pet food segment.
- **Ebro India:** Indian subsidiary of Ebro Foods (Spain), one of the world's largest rice and pasta groups; highlights Knack's ability to serve multinational FMCG clients.
- **DCM Shriram:** Diversified Indian conglomerate with agro and chemicals businesses; client across multiple product categories including fertiliser and agro-input packaging.
- **Mosaic India:** Subsidiary of The Mosaic Company (USA), a global fertiliser producer; demonstrates Knack's credentials in industrial and agro-chemical packaging for MNC clients.

Operational & Financial Highlights:

- Revenue from operations grew from ₹659 crore (FY24) to ₹747 crore (FY25) to ₹843 crore (FY26) a 3-year CAGR of 17%, driven by consistent volume growth and a richer export mix.
- EBITDA margin expanded from 15% (FY24) to 20% (FY26) a ~500 bps improvement on the back of operating leverage, vertical integration benefits and a favourable product mix shift towards higher-value pinch-bottom bags.
- PAT grew at a ~42% CAGR from ₹46 crore (FY24) to ₹93 crore (FY26); RoCE and RoE sustained in the 35–50% range across all three years, reflecting high capital efficiency.
- Deleveraging: Debt-to-Equity ratio improved from 1.23x (FY24) to 0.62x (FY26), reflecting strong internal cash generation and disciplined working capital management.
- Export Leadership: Exports contributed 56.30% of FY26 revenue across 71 countries; USA alone accounts for ~23.7% of revenue supported by a wholly owned South Africa subsidiary and a 50% JV in Mexico.
- Customer Base & Retention: Serves 1,950+ customers with a retention ratio of 88.32% in FY26 (vs. 65.41% in FY25); 73,000+ printing cylinders across 13,379 SKUs create strong structural lock-in.
- Market Position & Recognition: ~10.1% market share in India's flexible bulk PLWPP bags segment (FY25, Technopak); recognised as a Two Star Export House by the Government of India.
- Digital & Sustainability: Proprietary "Knack Galaxy" platform (launched August 2024) on SAP S4/HANA integrates end-to-end operations; ~80% energy from renewables with a target of 90% by 2030.

Financials

INR Cr	FY24	FY25	FY26
Total Revenue	659	747	843
Revenue Growth YoY %	28%	13%	13%
EBITDA	101	144	172
EBITDA Margin (%)	15%	19%	20%
Profit/Loss for the year	46	74	93
PAT Margin (%)	7%	10%	11%
Networth	141	215	308
Total Debt	173	172	193
Total Assets	379	449	595
Gross Block	268	306	407
ROE (%)	38%	42%	36%
ROCE (%)	42%	48%	47%

- 3-year CAGR (FY24-26) – 17%; EBITDA – 20%; PAT – 11%.
- D/E Ratio: 0.62x

Management

- **Mr. Alpesh Patel (Chairman & MD)**
Over 32 years of marketing experience. Drives strategic growth, customer relationships, brand development, and industry leadership. Holds leadership positions in multiple packaging industry associations.
- **Mr. Rashmin Patel (Whole-Time Director)**
He is a mechanical engineer with 28+ years in production and manufacturing. Leads technical operations, process improvements, and manufacturing excellence.
- **Mr. Pravin Patel (Whole-Time Director)**
He is a finance specialist with 32+ years of experience in financial planning, capital allocation, risk management, M&A, and profitability enhancement.
- **Mr. Rajnish Magan (Non- executive Independent Director)**
35+ years in consulting, infrastructure, and manufacturing. Former CFO and finance leader with extensive experience in governance, risk management, and strategic finance.
- **Mrs. Deepti Sharma (Non- executive Independent Director)**
Specialist in corporate strategy, IPOs, ESG, governance, M&A, FEMA compliance, and capital markets. Holds multiple independent directorships across listed companies.
- **Mr. Vittaladevini S. Balaji (Non- executive Independent Director)**
Packaging industry veteran with 46+ years of experience in flexible packaging, films, manufacturing, R&D, and business turnarounds. Former senior executive at major packaging companies and widely regarded as a packaging technology expert.

Viewpoint:

CAPEX PLAN:

- Borisana Greenfield Facility: ₹320 crore (out of ₹380 crore fresh issue proceeds) is earmarked to partly fund a new manufacturing facility at Borisana, Kadi, Mehsana, Gujarat the single largest deployment from the IPO, dedicated to producing PLWPP bags and PLWPP pinch-bottom bags.
- The Borisana facility is estimated to cost ₹435 crore in total; the balance beyond IPO proceeds will be funded through internal accruals and/or debt, consistent with the company's ongoing deleveraging trajectory.
- Remaining ₹60 crore of fresh issue proceeds allocated to general corporate purposes, providing flexibility for working capital, contingencies and bolt-on operational requirements.
- Post-commissioning of the Borisana facility, installed capacity is expected to increase materially beyond the current 43,300 MTPA
- Ahead of the IPO, the company pre-invested in Unit 4 (fabric & liner), operationalised in April 2026, which already expanded capacity from ~36,400 MTPA (FY25) to 43,300 MTPA (FY26) demonstrating execution capability.

Strategic Developments:

- Strategic partnership with Cargill one of the world's largest agro-commodities companies, to supply BOPP bags and co-develop packaging solutions, providing Knack with both scale and credibility to penetrate high-value global markets.
- 50% Joint Venture with Sayem Knack S.A. de C.V. to establish a manufacturing and distribution presence in Latin America and the USA, directly targeting the region that already contributes ~23.7% of Knack's FY26 revenue.
- Wholly owned subsidiary Knack Packaging SA (RF) Pty Ltd operationalised to strengthen Africa market access, where South Africa is already the third-largest export destination (~5.4% of FY26 revenue).
- Planned expansion into PE Pinch Bottom Bags, Zipper Pinch Bottom Bags, Handled Block Bottom Bags, Corner Seal Block Bottom Bags and Easy Open Block Bottom Bags targeting higher-value, differentiated packaging formats across pulses, spices, rice and pet food segments.
- Knack Galaxy Platform: Proprietary digital platform launched in August 2024 integrating procurement, production, dispatch, customers and suppliers on SAP S4/HANA, aimed at improving order fulfilment speed, traceability and customer stickiness as the business scales post-expansion.

Product value chain:

Sr. No	Products	Type	Gross Margins	Company Edge
1	PP Woven Bags (WPP)	Basic product	8-9%	Most of the products are still packed in this products.
2	PLWPP	Value-added product	20-25%	High resolution printing, 4-sided branding available in 10 colors. Forms a major share of revenue for the company.
3	PLWPP Pinch Bottom bags	Value-added product		Laser Cut, easy open, reusable.
4	PLWPP Block bottom bags			

5	Printed & Laminated WPP retail Shopping bags.			
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Testing standard:

The packaging test goes through a stringent drop test. Where the bags along with packed products are dropped from certain height carrying certain weight.

- Standard Parameters: 6 times drop from 6 ft.
- **Knack Parameteres: 24 times drop from 10 ft.**

Strategic Moat:

- **In-house Design Capabilities:** The Company has a dedicated **7-member design team** that develops packaging designs and branding solutions tailored to customer specifications, enhancing customer engagement and service differentiation.
- **Design-Led Competitive Advantage:** Strong design and branding capabilities serve as a key differentiator, enabling the Company to stand out in a largely commoditized packaging market.
- **Proprietary Ink Formulation:** The Company operates an in-house ink kitchen where base colours are blended using recipes to achieve precise customer requirements. Colour recipes constitute valuable technical know-how owned by the Company. Up to 10 colours available.
- **Customer Retention & Switching Costs:** While direct switching costs are relatively low, customer attrition remains limited as packaging typically accounts for only a small fraction of the end-product cost (~0.5% of total cost). Established branding, design approvals, and operational continuity further support customer stickiness.
- **Waste Recycling & Revenue Recovery:** Printed Bag can be completely recycled into plastic granules, which are subsequently sold online for applications such as flowerpots, chairs, and containers. While currently contributing a small share of revenue, this initiative enhances revenue recovery from waste, resource efficiency and supports sustainability objectives.
- **Proprietary Printing Infrastructure:** Printing cylinders are mounted on shafts designed specifically for the Company's machinery. This creates an operational barrier, as cylinders transferred to customers may not be readily compatible with competing vendors' equipment.
- **Renewable Energy Utilization:** A significant portion of the Company's energy requirements is met through renewable sources, providing a structural cost advantage and supporting sustainability initiatives.
- **Focus on Premium Product Expansion:** The Company is targeting growth in the **Pinch Bottom (PLWPP)** segment, a higher-value product category with strong export potential. To support this strategy, orders have been placed for **five additional machines**, which are expected to enhance capacity and drive export-led growth.

Customer Centric Approach:

- **Customer Onboarding Investment:** The Company incurs an upfront customer acquisition and onboarding cost of approximately **₹2.0–2.5 lakh per customer**, covering design development, cylinder manufacturing, and related setup expenses. Printing cylinders typically cost **₹15,000–18,000 each**, with a customer generally requiring **8–10 cylinders**.

- **Integrated Packaging Solution:** Since PP woven bags are not inherently heat-sealable, customers require specialized sealing equipment to complete the packaging process after product filling. Imported thermosealing machines typically cost around **₹1.5 crore per unit**, creating a significant investment requirement for end users.
- **Cost-Effective Customer Enablement:** Leveraging its industry relationships and customer-focused approach, the Company facilitated the development of a domestic sealing machine through an Indian manufacturer (Mark), enabling customers to procure equivalent equipment at a significantly lower cost of **₹18–22 lakh per unit**.
- **Strengthening Customer Relationships:** The availability of a cost-efficient sealing solution has lowered customer adoption barriers and enhanced value creation. To date, approximately **126 such machines** have been deployed across customer locations.

Valuation:

Knack Packaging Ltd. currently is commanding a PE multiple of ~18x on the upper end of the price band at ₹170/share, on an annualized Diluted EPS of ₹9.27/share. The company seems fairly valued.

Issue Details:

- Total Issue size: ₹ 439 Crores
- Fresh Issue: ₹ 380 Crores
- Offer for Sale: ₹ 60 Crores
- Face Value: ₹ 10
- Price Band: ₹ 161 - ₹ 170

Utilisation of Funds Details:

- Partial funding of capital expenditure towards setting up of new manufacturing facility at Borisana situated at Kadi, Mehsana, Gujarat. - ~₹ 320 crores.
- General corporate purposes

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