

Knack Packaging – IPO Investment Note

Issue Open	Issue Close	Price Band (₹)	Rating
01 July 2026	03 July 2026	₹161-170	Subscribe

Investment Summary

Knack Packaging Limited is a leading Indian player in the organized, specialized flexible bulk packaging segment, offering integrated B2B2C solutions across design, printing, extrusion, and bag conversion. The company reported operational revenue of **₹823.4 Cr** and a net profit of **₹92.7 Cr** in FY26, with a strong 3-year return profile (FY26 ROE of **35.8%** and ROCE of **46.7%**), reflecting exceptional capital efficiency and high profitability. Expecting steady capacity execution post-IPO, the company benefits from a robust revenue growth trajectory driven by a massive transition toward high-strength value-added pinch-bottom bags. As of May 2026, it serves over **1,950 global customers** across 71 countries with a massive design database of over 73,000 customized cylinders, indicating a highly scalable model and expanding market traction. The IPO, priced at **₹161–₹170**, includes a fresh issue of **₹380.0 Cr** and an OFS of **₹59.5 Cr**, well-supported by its leading 10.1% market share in India's PLWPP bulk packaging space. With structural tailwinds like the global paper-to-polypropylene shift and strong export momentum, Knack offers a compelling growth play on international supply chain diversification and high-margin industrial packaging solutions.

Company Overview

Knack Packaging Limited is an integrated, innovation-driven, and export-oriented **packaging solutions provider** specializing in the manufacturing of Printed and Laminated Woven Polypropylene (PLWPP) bags, including PLWPP pinch bottom bags. Established as a proprietorship in 2006 and incorporated in 2013, the company has grown into a leading organized player, commanding an estimated **10.1% share of the Indian flexible bulk PLWPP bags market in FY25**. It delivers high-strength, customized packaging to a highly diversified roster of end-use sectors including food grains, sugar, pet food, fertilizers, chemicals, and construction materials. Knack Packaging follows a **vertically integrated production framework** that covers everything from polypropylene granule compounding and tape extrusion to fabric weaving, high-speed gravure printing, lamination, and automated bag conversion. Operating advanced state-of-the-art manufacturing facilities in Gujarat with an effective installed capacity of **43,300 MTPA**, the business leverages a distinct B2B2C model to efficiently serve over **1,950 domestic and global customers across 71 countries**. Backed by robust internal product design capabilities and an established ESG infrastructure sourcing 80% of its energy from renewables, the company has firmly integrated itself within the global packaging supply chain.

Business Model

Knack Packaging follows a vertically integrated, backward-integrated manufacturing model that encompasses the entire production value chain. The process begins with the compounding and extrusion of polypropylene (PP) granules into high-quality flat tapes, which are then woven into heavy-duty fabric using advanced circular or flat looms equipped with real-time Loom Data Monitoring Systems. For value-added applications, Biaxially Oriented Polypropylene (BOPP) films are printed using high-speed gravure printing technology and seamlessly laminated onto the woven fabric, enhancing aesthetic appeal, tensile strength, and moisture resistance. The company also manufactures liners and multifilament yarn in-house, ensuring absolute control over production quality, delivery timelines, and operational cost efficiencies.

The company operates under a specialized **B2B2C business model**, positioning itself as a comprehensive solutions partner rather than a mere commodity manufacturer. Institutional clients provide basic functional inputs such as the core product type and required dimensions, after which Knack's in-house design and artwork development teams engineer customized bag designs tailored to precise brand specifications. Backed by extensive in-house printing cylinder manufacturing capabilities—having **developed over 73,000 cylinders across 13,379 SKUs**—the company handles everything from sampling and design iterations to incorporating specialized anti-counterfeiting features like RFID, QR codes, and holographic hot stamping, allowing clients to entirely outsource their packaging development lifecycle.

The commercial structure of the business model heavily capitalizes on international markets while maintaining a resilient domestic base, with exports contributing a dominant **56.3%** of operational revenues in FY26. Knack Packaging supplies specialized bulk packaging to an extensive global footprint across 71 countries, serving marquee global and domestic brands across industries like agriculture, chemicals, food processing, and pet care. To deepen international penetration and enhance brand recognition in premium overseas markets, the company utilizes a wholly owned operational subsidiary in South Africa and a strategic joint venture in Mexico, "Sayem Knack", which commenced commercial operations in April 2026 to systematically target volume growth across Latin America and the United States.

Financial Performance

- **Revenue CAGR ~ (FY24–FY26): 12.15%**, driven by expanding capacity, strong export order inflows, and increasing global adoption of PLWPP packaging. Revenue grew from ₹654.56 Cr in FY24 to ₹823.34 Cr in FY26.
- **EBITDA growth** from ₹101.37 Cr (FY24) → ₹144.34 Cr (FY25) → ₹172 Cr (FY26), while margins are at ~20.42% in FY26.
- **PAT trajectory:** ₹45.98 Cr (FY24) → ₹73.81 Cr (FY25) → ₹92.72 Cr (FY26) with a 10.98% margin.
- **Return metrics:** ROCE ~46.7% and ROE ~35.75% in FY25, reflecting exceptional capital efficiency.
- **Strong balance sheet:** Net worth ₹308.19 Cr, moderate debt (D/E 0.6×), net cash from operating activities ₹91.98 Cr
- **Key ratios:** Basic EPS ₹7.6 (Post IPO) in FY26, NAV per share ₹30.8.

Financial Snapshot

Metric	INR CR		
	FY24	FY25	FY26
Revenue from Operations	654.56	736.49	823.34
EBITDA	101.37	144.34	172.29
EBITDA Margin	15.38%	19.31%	20.42%
Profit After Tax (PAT)	45.98	73.81	92.72
PAT Margin	6.97%	9.87%	10.98%
Basic EPS (₹)	3.8	6.0	7.6

Investment Rationale

1. Leading Organized Market Player:

Knack holds a leading ~10.1% market share in India's organized PLWPP flexible bulk packaging space, positioning it as a primary beneficiary of industrial demand. This leadership provides the company with substantial pricing power, economies of scale, and an established reputation that acts as a strong entry barrier against new entrants.

2. High Revenue Stickiness via Proprietary Tooling Moat

Serving as the custodian of customer branding with a database of over 73,000 custom printing cylinders for 1,950+ clients across 13,379 SKUs creates an incredibly high customer switching cost. This deeply integrated B2B2C relationship ensures recurring business, high customer retention, and long-term revenue predictability.

3. Resilient Global and Industry Footprint

With exports contributing 56.3% of total revenue across 71 countries, the company is perfectly levered to capitalize on the global "China plus One" sourcing strategy. This extensive international footprint hedges domestic market risks and opens high-margin revenue streams driven by the global shift from multiwall paper sacks to durable polypropylene bags.

4. Pioneering Innovation and Premium Product Mix

As the first company in India and Asia to integrate a laser-cut, easy-open feature into high-strength PLWPP pinch-bottom bags, Knack commands premium pricing. This strong product differentiation has driven these high-value pinch-bottom bags to contribute 20.27% of product revenue, actively accelerating corporate margin expansion.

5. Transformational Capacity Expansion and Imminent Scaling

The post-IPO setup of the new manufacturing facility at Borisana, Gujarat, directly tackles its near-full capacity utilization by adding a massive ~49,100 MTPA gross capacity. This strategic, fresh-issue funded capex will seamlessly convert rising order inflows into top-line volume growth without stretching the balance sheet with high interest burdens.

6. Vertically Integrated and Digitally Unified Operations

Full integration from raw material processing to finished goods, powered by SAP S/4HANA and Microsoft Dynamics 365, optimizes resource allocation and capacity utilization. This digital workflow minimizes manual errors, ensures uniform quality across batches, and provides strong operating leverage as production scales up.

7. Strong Green Energy Footprint Ensuring Cost Efficiencies

Meeting approximately 80% of its massive power requirements through owned wind and solar infrastructure shields the company from volatile commercial grid electricity costs. This sustainable infrastructure significantly lowers operational overheads, boosts bottom-line profitability, and appeals directly to eco-conscious global MNC clients.

Key Risk Factors

1. Material Client Concentration Risks:

Revenues are heavily tied to a limited pool of clients, with the top 10 customers accounting for 40.9% and Cargill alone contributing 16.7% of FY26 sales. Consequently, the loss of any major customer or a significant reduction in their order volumes could materially and adversely affect the company's financial performance.

2. Susceptibility to Raw Material Price Swings

Polypropylene (PP) granules represent the primary raw material, with the cost of materials consumed accounting for 59.6% of revenue from operations in FY26. Therefore, significant volatility in PP prices or sharp spikes and disruptions in the global petrochemical supply chain will directly hit operating margins and profitability.

3. Heavy Reliance on a Single Domestic Vendor

Sourcing over 30% of total raw materials from one domestic supplier across the last three Fiscals exposes manufacturing operations to unexpected supply chain vulnerabilities. Any sudden disruption in procurement or an inability to obtain materials on favorable terms from this vendor could adversely affect production schedules and profitability.

4. Vulnerability in Printing Cylinder Infrastructure

The company relies significantly on customized cylinders for its packaging solutions, directly owning 43.1% of the total cylinder infrastructure. Any unexpected asset damage, loss, or operational disruption involving these cylinders can severely derail custom production timelines and harm customer relationships.

5. Intense Price Competition in a Fragmented Sector

Operating in a highly fragmented Indian packaging industry alongside a dominant unorganized market sector creates continuous pricing pressure on products. This competitive environment presents an ongoing challenge for sustaining stable product pricing, maintaining profit margins, and retaining future market share.

6. Exposure to Global Foreign Exchange Volatility

Since international sales across 71 countries represent 56.3% of total business turnover, the company faces substantial exposure to global currency fluctuations. Consequently, unfavorable foreign exchange rate movements pose an inherent risk to final cash flows, revenue realization, and overall export competitiveness.

IPO Details and Use of Proceeds

Parameter	Details
Issuer	Knack Packaging Ltd
IPO Issue Size	Total Issue Size: ₹439.5 Cr Fresh Issue of ₹380 Cr + Offer for Sale of ₹59.5 Cr
Price Band	₹161 – ₹170 per share
Face Value	₹10 per share
Post-Issue Market Cap	Approx. ₹2080 Cr
IPO Opening Date	01 July 2026
IPO Closing Date	03 July 2026
Listing	NSE / BSE
Promoter Holding (Pre/Post)	Pre-IPO: ~89.6% → post-IPO: ~70.59%
Book Running Lead Managers	Systematix Corporate Services Limited. IDBI Capital Markets & Securities Limited. Pantomath Capital Advisors Private Limited.
Use of Proceeds	• Partial Capex funding - new manufacturing facility at Borisana situated at Kadi, Mehsana, Gujarat. (320 Cr) • General Corporate Purposes

Valuation and Outlook

At the upper price band of **₹170** per share, **Knack Packaging Limited** is valued at a post-issue market capitalization of approximately **₹2,080 crore**. Based on FY26 EPS (**Rs 7.60**), the stock is trading at a Price-to-Earnings (P/E) ratio of **~22.4x** and an EV/EBITDA multiple of **~13.2x**, which appears **fairly priced** in comparison to its peers. However, the company's strong return metrics (ROE **~35.8%**), robust revenue CAGR of **12.15%** (FY24–FY26), and improving profitability support the valuation to some extent. Looking ahead, if the company successfully executes its post-IPO plans particularly around capacity expansion and operational scaling could translate into stronger cash flows, a cleaner balance sheet, and improved operating leverage over the medium to long term. Overall, we believe **Knack Packaging Limited** remains a quality growth play where outcomes are likely to be driven by delivery rather than re-rating; accordingly, we assign a **"Subscribe"** rating for **listing gains as well as medium term horizon** with the key monitorables being margin sustainability, order/book conversion, and pace of capacity expansion.

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