



RESEARCH REPORT DATED 2 JULY 2026

Knack Packaging Limited

Mainboard IPO — Research Note

Manufacturer & exporter of PLWPP woven bags · BSE & NSE

ISSUE PARTICULARS

ISSUE DATES	1 – 3 July 2026	PRICE BAND	₹161 – ₹170
LOT SIZE	88 shares (₹14,960)	ISSUE SIZE	₹439.50 Cr
FRESH / OFS	₹380 Cr / ₹59.50 Cr	LISTING	8 July 2026

SECTOR Packaging — Flexible / PLWPP (Industrials)	FINANCIALS Rev ₹823 Cr (FY26) · PAT ₹93 Cr · PAT CAGR ~42%
VALUATIONS P/E 22.4x FY26 · vs peers 28–32x · discount	DEMAND Anchor ₹131 Cr · bHNI 15.7x D2 · QIB building
GMP +15–16% / ₹26–27 over band · 2 Jul, indicative	RECOMMENDATION APPLY (listing gains)

I P O R E S E A R C H D E S K

2. Executive Summary

Knack Packaging makes printed and laminated woven polypropylene (PLWPP) bags and pinch-bottom bags — the heavy-duty, print-ready sacks that carry rice, flour, pet food, fertiliser, cement and building materials in 5–50 kg formats. It runs a single integrated complex in Gujarat with 43,300 MTPA of effective capacity, ships to more than 1,950 customers across 68 countries, and counts Cargill, KRBL, Drools and DCM Shriram among its names. FY26 revenue from operations was ₹823 crore with PAT of ₹93 crore — a two-year PAT CAGR of roughly 42% — on an EBITDA margin that has climbed from 15% to 21% over three years.

What makes the issue interesting is the combination: a B2B commodity-adjacent business that nonetheless earns ~40% gross and ~21% EBITDA margins, an RoE near 36%, and a balance sheet that has deleveraged from 1.23x to 0.62x — priced at 22.4x FY26 earnings against listed converters at 28–32x. The structure is fresh-issue-led (86% of the ₹439.5 crore issue funds a capacity expansion, not a promoter exit). The anchor book at ₹131 crore is broad if not top-tier, GMP sits at +15–16%, and BHNI demand had already run to 15.7x by the second afternoon of bidding.

The call: APPLY (listing gains). The setup — undemanding valuation, positive GMP, expanding margins, and a lead-manager (IDBI) with an 82% listing-premium hit rate on our seven-year base — favours a listing pop. Our base case is a +14–18% open. This is not a risk-free recommendation.

Recommendation	Listing View	Long-Term View
APPLY (listing gains)	+14–18% base case	Constructive, not covered here

IPO Research Desk operates a listing-gains mandate for BHNI investors. Long-term views are outside this note's scope.

3. Company Overview & Business Model

Strip away the packaging jargon and the business is simple to underwrite. Knack converts polypropylene granules into woven fabric, then prints, laminates and stitches that fabric into industrial bags. The differentiated product is the PLWPP pinch-bottom bag with a laser-cut, easy-open feature — Knack says it was the first converter in India and Asia to commercialise it. That niche is where the margins live: the company runs ~40% gross and ~21% EBITDA margins on what is, at its core, a plastics-conversion business, and EBITDA per kilogram has nearly doubled from ₹23 in FY23 to ₹45 in FY26. Volume grew at a ~16% three-year CAGR to 38,157 MT in FY26.

Revenue is B2B and largely repeat. The company serves brand owners and processors in grains and pulses, flour and spices, sugar and salt, pet and animal feed, agriculture, fertiliser, chemicals, cement and building materials. There are no long-term price contracts — orders are recurring but re-priced — so the moat is switching cost (73,000+ printing cylinders and 13,000+ SKUs built to customer artwork) rather than a contractual lock. Customer retention has improved sharply, from 67% in FY24 to 88% in FY26, which supports the switching-cost thesis.

Manufacturing is vertically integrated — extrusion, weaving, lamination, printing and stitching under roughly 1.12 million square feet at Kadi, Mehsana, in Gujarat, running at ~82% utilisation in FY26. About 80% of energy is met from captive solar and wind, which is a real cost lever and part of why margins hold up in a commodity-adjacent trade. The company carries a Two Star Export House recognition, a wholly owned South African subsidiary and a 50% Mexican joint venture for market access. Promoters Alpesh, Pravinkumar and Rashminbhai Patel hold 89.6% pre-issue, falling to 70.6% post-listing.

The thing to underwrite is not whether Knack can make bags — it plainly can, profitably. It is whether a single-site, export-heavy converter with no long-term supply or sales contracts can hold 21% margins as it nearly doubles capacity. The next section is about who is buying, and the risk section is about what could break that.

4. Market Position & Client Base

Knack holds an estimated 10.1% share of India's flexible bulk PLWPP bag segment (FY25) — a leading position in a fragmented category, but a category with low structural barriers. The edge is not scale alone; it is the innovation layer (laser-cut easy-open, high-strength print-laminate formats) that lets Knack sit at the premium end of an otherwise commoditised product. Exports are 56% of revenue, and the company reaches 68–71 countries, which is genuinely differentiated for a mid-cap converter.

Client concentration is the number to watch. Cargill alone was 16.7% of FY26 revenue, and the top ten customers were 40.9%. That is not extreme for a B2B converter, but it is meaningful, and with no long-term contracts the revenue is renew-or-lose each cycle. The offsetting evidence is the retention trend — 67% to 88% over two years, with several relationships past a decade — which suggests the concentration is sticky rather than fragile. The client roster (Cargill, KRBL, Drolls, Ebro India, DCM Shriram, Baba Agro Food) is a credible list of processors and brand owners, not a thin book of intermediaries.

Client / Positioning Metric	FY24	FY26
Top customer (Cargill) share	—	16.73%
Top-10 customer concentration	—	40.87%
Customer retention ratio	67.27%	88.32%
Customers served	—	1,950+
Countries served	—	68–71
Domestic PLWPP bulk-bag share (FY25)	—	~10.1%

Source: RHP / company disclosures. Concentration is material but retention-supported.

5. Geographic Distribution & Revenue Model

Exports drove roughly 56% of FY26 revenue, and inside that the United States alone is about 24% of total revenue, with the US and Mexico together near 30%. That export tilt is the source of both the margin premium — overseas customers pay for the laser-cut, high-strength formats — and the single largest macro risk in the note, which is US trade policy (dealt with in Section 11). Currency is unhedged in disclosure terms, so a chunk of the P&L rides the rupee-dollar rate.

Revenue Split (FY26, approx.)	Share
Exports (total)	~56%
— of which United States	~24% of total revenue
— of which US + Mexico	~30% of total revenue
Domestic	~44%

Export mix approximate, drawn from company and analyst disclosures around the RHP.

The revenue model is volume-linked and re-priced per order rather than contracted, so growth tracks capacity utilisation and export demand. A wholly owned South African subsidiary and a 50% Mexican JV give on-the-ground reach in two of the export markets. The channel is direct-to-processor / direct-to-brand, which is why gross margins hold near 40% despite the commodity input base.

6. Innovation & Manufacturing Edge

For a converter, Knack carries an unusual amount of process IP, and it is worth a short section because it explains the margin. The company was first in India and Asia to commercialise laser-cut, easy-open features in PLWPP pinch-bottom bags — a genuinely differentiated format that commands a premium over conventional woven sacks. It has built 73,000+ printing cylinders and more than 13,000 SKUs, each mapped to specific customer artwork and specification; that library is the switching cost.

The second edge is energy. Roughly 80% of the plant's power comes from captive solar and wind, with a stated target of 90% by 2030. In a business where the input (PP granules, LDPE) is a crude-oil derivative and conversion is energy-intensive, self-generated renewable power is a structural cost advantage, not a sustainability talking point — it is part of why EBITDA per kilogram has doubled. The planned Borisana expansion is designed to carry the same integrated, energy-light model into a larger footprint.

7. IPO Structure & Use of Proceeds

Issue Structure

Particulars	Amount (₹ Cr)	% of Total
Fresh Issue	380.00	86.5%
Offer for Sale (OFS)	59.50	13.5%
Total Issue Size	439.50	100%

2,23,52,941 fresh shares + 35,00,000 OFS shares at ₹170 upper band. Face value ₹10.

The OFS is 13.5% of the issue — well below the 50% line we flag as an existing-investor-exit signal. **Read the structure positively:** 86% of the money is fresh capital going into a capacity expansion, and promoters are retaining 70.6% post-listing. This is a company raising to grow, not shareholders raising to leave. That is a materially better setup than the OFS-heavy issues we routinely flag.

Use of Proceeds (Fresh Issue)

Objective	Amount (₹ Cr)	% of Fresh
Capex — new facility at Borisana, Kadi, Mehsana	~320.00	~84%
General corporate purposes & issue expenses	~60.00	~16%
Total Fresh Issue	380.00	100%

The Borisana project is a ~₹435 crore greenfield expansion, of which around ₹90 crore is already deployed; the fresh issue funds ~₹320 crore of the balance. It lifts effective capacity by ~32,710 MTPA, taking aggregate capacity toward ~76,000 MTPA by October 2027 — close to a doubling. That is the growth engine, and also the absorption risk: the market has to take up the new tonnes.

Book & Syndicate

Reservation is the standard book-built split — QIB 50%, NII 15%, Retail 35%, with a small employee reservation. Anchors took ₹131.25 crore (77,20,587 shares) on 30 June 2026. The Book Running Lead Managers are Systematix Corporate Services, IDBI Capital Markets & Securities and Pantomath Capital Advisors; MUFG Intime India is the registrar. The BRLM track record — which is mixed — is analysed in Section 10.

8. Financial Performance Analysis

Profit & Loss (₹ Cr, consolidated)

Particulars	FY24	FY25	FY26
Revenue from Operations	654.56	736.49	823.43
Total Income	659.01	747.38	843.77
EBITDA	101.37	144.34	172.29
EBITDA Margin (%)	15.5%	19.6%	20.9%
PAT	45.98	73.81	92.72
PAT Margin (%)	6.98%	9.88%	10.99%
EPS (₹)	—	—	9.27

EBITDA margin on revenue from operations. FY26 is a completed, audited fiscal — no H1 stub required.

Balance Sheet & Cash Position (₹ Cr, FY26)

Particulars	FY24	FY26
Net Worth	—	308.19
Total / Net Debt	—	~190 / 192.47
Debt-to-Equity	1.23x	0.62x
Total Assets	—	595.25
RoE (%)	—	35.75%
RoCE (%)	—	46.71%
Working Capital Days	74.13	87.05

Post-issue D/E expected to fall toward ~0.3x as equity expands.

The trajectory is the story here, and it is a good one. Revenue compounded at a low-teens rate while PAT roughly doubled over two years — that gap is operating leverage plus margin expansion, not financial engineering. EBITDA margin moved 15.5% → 20.9% across three years, driven by mix (more premium laser-cut formats), the rising EBITDA-per-kg, and the renewable-energy cost base. This is real margin improvement, not a one-year spike.

The balance sheet has genuinely de-risked: debt-to-equity halved from 1.23x to 0.62x, and RoE at ~36% with RoCE at ~47% says the capital is working hard. Post-issue, with fresh equity in, gearing should drop toward 0.3x. Two things temper the picture. First, working-capital days stretched from 74 to 87 with ₹138 crore parked in receivables — a growing, export-heavy book ties up cash, and the capex cycle will add to that. Second, the reported profitability is high enough that the market will want to see it hold through the capacity ramp; margin durability, not margin level, is the question.

On screen the print looks clean — margins up, returns high, leverage down. Under the hood the watch-item is working capital: a 24% jump in WC days alongside a near-doubling of capacity is where cash could get tight if export demand wobbles. It is a monitorable, not a red flag, but it is the line we would track post-listing.

9. Valuation

At ₹170 the company is asking for 22.4x FY26 earnings on a post-issue market capitalisation of ~₹2,080 crore, with enterprise value near ₹2,270 crore (EV/EBITDA ~13x) and a post-issue price-to-book of ~3.0x. The RHP argues there is no directly comparable listed peer — which is partly a negotiating stance — but the market benchmarks Knack against listed converters and packaging names.

Company	P/E (FY-1)	Positioning
Knack Packaging (upper band)	22.4x	Highest net margin in the set
TCPL Packaging	~28.2x	Larger, paperboard-led
Mold-Tek Packaging	~31.8x	Rigid plastics
Time Technoplast / EPL	higher	Diversified polymer / laminates
Peer set (indicative)	~28–32x	Knack at a clear discount

Peers are analyst-cited comparables; the RHP itself claims no directly comparable listed peer.

Our read: the discount is earned on the downside and unearned on the upside — which is exactly the setup you want for a listing-gains call. Knack comes at 22.4x versus a 28–32x peer band while carrying better margins (~11% net) and a higher RoE than most of the set. That gap gives the issue room to re-rate on listing without needing multiple expansion beyond the peer average. We would not underwrite it as cheap on an absolute basis — 22x for a single-site, export-exposed converter is a full-but-fair price — but relative to the comparable tape, it is priced to list well rather than priced for perfection.

10. Demand, Anchor Quality & BRLM Track Record

10.1 Subscription Trajectory

Category	Day 1 (close)	Day 2 (~3-5 pm)
QIB (ex-anchor)	muted	~3.6x
NII — bHNI (>₹10L)	building	~15.7x
NII — sHNI (₹2-10L)	building	~12.7x
Retail	~0.9x	~4.5x
Employee	~0.8x	~3.5x
Overall	2.72x	~7.6x

As of Day 2 (2 July 2026), one bidding day still open. QIB typically floods on Day 3.

The shape of the book is what you'd want to see. bHNI at ~15.7x and sHNI at ~12.7x with a full day still to run is strong non-institutional conviction, and QIB at 3.6x ex-anchor will build on the final day as it almost always does. Retail at ~4.5x is healthy. The one caveat for our own readers: heavy bHNI subscription means the allotment ratio per application will be thin, which is precisely why the multiple-PAN, full-force approach is the rational way to build a meaningful absolute position.

10.2 Grey Market Premium

GMP sat at ₹26-27 on 2 July, roughly +15-16% over the ₹170 band, having climbed from ₹15 at the open. That points to an indicative listing near ₹196-197. Treat the number for what it is: an unofficial, unregulated, thinly-traded signal that can move several percent in a session and has no settlement behind it. It rhymes with the subscription and the peer discount, which is why we weight it as corroboration — but we would never build a call on GMP alone.

10.3 Anchor Quality — the backtest

Anchor (this issue)	Prior Issues*	Avg Listing Gain*	Typical P/E band*
Axis stable (New Opp AIF, 30.5%)	103	~35%	~43x
Ashoka / White Oak (11.4%)	55-77	~23-24%	~30-42x
Bandhan Small Cap (9.1%)	116	~27%	~76x
SBI General Insurance (9.3%)	71	~9%	long-money
Sundaram stable (ALTAS, 3.8%)	67	~30%	~43x
ITI funds (9.1%)	24	~2%	~45x
Bank of India funds (11.4%)	24	~10%	~35x
JM Financial (Small Cap, 3.8%)	22	~13%	mixed

*From IPO Research Desk's seven-year anchor base (687 anchors). Entity-level records used as proxy where the participant is an AIF/scheme of the same stable.

The book is broad but not front-rank. It is led by an AIF — Axis New Opportunities took 30.5% of the anchor portion — rather than a marquee mutual fund, and the domestic-MF slice is 33.5% across four AMCs and seven schemes, with nil life-insurance or pension money. On our base data the quality tiers cleanly: Bandhan Small Cap (116 prior issues, ~27% avg listing gain), the Axis and Sundaram stables

(~30–35%) and Ashoka/White Oak (~23%) are the genuine positives; ITI (24 issues but only ~2% average listing gain) and Bank of India (~10%) are the softer names carrying weight here. SBI General Insurance is long money that rarely flips.

The non-obvious signal is valuation fit. Almost every anchor in this book historically buys issues at 30–75x P/E; Knack is priced at ~22x. These institutions are getting a cheaper-than-usual entry relative to their own hunting ground — which reads as a mild positive on the price, not a caution. When anchors who normally pay 40x show up for a 22x issue, the price is not the thing worrying them.

10.4 BRLM Track Record — the backtest

Lead Manager	IPOs (7yr)	Hit Rate	Avg Listing Gain	Recent Activity
IDBI Capital Markets & Securities	11	~82%	~37%	Active through 2026
Pantomath Capital Advisors	14	~79%	~25%	None since 2024
Systematix Corporate Services	7	~14%	~15%†	None since 2023

From IPO Research Desk's seven-year lead-manager base. †Systematix's average is skewed by a single large winner against six flat-to-negative listings.

This is a mixed-tier syndicate, and honesty matters here. IDBI carries the book: 11 mainboard issues over seven years, an ~82% listing-premium hit rate, a ~37% average listing-day gain, and — critically — it is still active, with issues in 2024, 2025 and 2026. That is a top-quartile record on our base. Pantomath's lifetime numbers are also good (~79% hit rate) but its activity has gone quiet since 2024, so we lean on the aggregate rather than a live recent trend. Systematix is the weak leg: seven issues, only one positive listing, and nothing since 2023 — a ~14% hit rate that we do not paper over.

The way to read a mixed lineup like this: the lead with the live, strong record (IDBI) is running the process, and the aggregate quality of the book is carried by that name rather than by the syndicate uniformly. It is a marginal qualifier on the setup, not a disqualifier — but it is why we anchor the listing-gains case on valuation, demand and GMP first, and treat the BRLM signal as supportive-via-IDBI rather than uniformly strong.

Strong anchor participation and a credible lead in IDBI reduce listing risk; they do not eliminate it. A strong anchor book does not guarantee listing gains.

11. Risk Factors

[PRIMARY CONCERN] **US trade-policy & tariff exposure.**

About 24% of FY26 revenue came from the United States, inside an export book that is ~56% of revenue. Any tariff action, trade-policy shift or India-US friction lands directly on the highest-margin part of the business, and the company has no contractual protection against it. This is the single macro variable most capable of resetting the earnings base, which is why it leads the list.

Customer concentration.

Cargill alone was 16.7% of FY26 revenue and the top ten customers were 40.9%, with no long-term contracts. The retention trend (67% → 88%) is reassuring, but a single large-customer loss would be felt immediately in both revenue and factory loading.

Raw-material & single-vendor dependence.

PP granules and LDPE are crude-oil derivatives bought on a spot basis with no long-term supply contracts, so input cost rides the oil complex. Compounding it, a single domestic vendor accounts for over 30% of raw-material supply — a concentration on the buy side that mirrors the concentration on the sell side.

4. Single-geography manufacturing. All capacity sits at one integrated complex in Gujarat. Any fire, flood, labour or regulatory disruption at Kadi/Mehsana halts the whole operation — there is no second site to absorb load.

5. Working-capital stretch. WC days rose from 74 to 87 with ₹138 crore in receivables. A growing export book plus a heavy capex cycle ties up cash; if demand softens mid-ramp, the funding gap widens.

6. Capex absorption. The ₹320 crore Borisana expansion nearly doubles capacity by October 2027. The new tonnes have to find demand; a mistimed ramp pressures utilisation, margins and returns.

7. Fragmented, low-barrier industry. PLWPP conversion has limited structural barriers. Knack's edge is innovation and scale, not a durable moat; new entrants and price competition are a standing feature of the category.

8. Unhedged currency exposure. With ~56% of revenue exported, the P&L carries meaningful rupee-dollar risk on receivables that disclosure does not show as systematically hedged.

9. Mixed lead-manager syndicate. One of the three BRLMs (Systematix) carries a weak ~14% listing-premium hit rate on our base and no activity since 2023. The book's quality leans on IDBI rather than the syndicate uniformly.

12. Investment Strengths & Positive Indicators

- 1. Margin expansion is real and multi-year.** EBITDA margin rose 15.5% → 20.9% over three years and EBITDA-per-kg nearly doubled — driven by premium format mix and a renewable-energy cost base, not a one-off. Operating leverage is visibly kicking in.
- 2. High, capital-efficient returns.** RoE of ~36% and RoCE of ~47% in FY26 are strong for a converter and say the balance sheet is working hard, not carrying idle assets.
- 3. Deleveraging into the issue.** Debt-to-equity halved from 1.23x to 0.62x and should fall toward ~0.3x post-issue as fresh equity comes in — a cleaner balance sheet entering the growth phase.
- 4. Priced at a discount to comparable converters.** At 22.4x FY26 versus a 28–32x peer band, with better margins and returns, the issue has room to re-rate on listing without needing to out-multiple the sector.
- 5. Genuine product differentiation.** First in India and Asia with laser-cut easy-open PLWPP; 73,000+ printing cylinders and 13,000+ SKUs create switching costs that show up in the 88% retention ratio.
- 6. Fresh-issue-led structure.** 86% of the raise is fresh capital funding a capacity expansion, with promoters retaining 70.6%. The issue is about growth, not exit — a structurally better setup than OFS-heavy deals.
- 7. Broad demand and supportive tape.** bHNI at ~15.7x and sHNI ~12.7x on Day 2, a ₹131 crore anchor book spanning Axis, Bandhan, Sundaram, Ashoka and others, and GMP at +15–16% — the near-term signals line up.
- 8. Sustainability as a cost moat.** ~80% captive renewable power (target 90% by 2030) is a durable margin support in an energy-intensive, oil-linked input business — not just an ESG headline.

13. Final Recommendation & Conclusion

R E C O M M E N D A T I O N

APPLY (listing gains)

The five pillars line up on the same side, which is not always the case. Financial quality is strong — margins expanding, RoE near 36%, leverage halved. Valuation is the clincher: 22.4x FY26 against a 28–32x peer band, with better profitability, gives the stock room to list up without stretching the multiple. GMP at +15–16% and a bHNI book already at ~15.7x on Day 2 confirm the near-term demand. And the OFS is only 13.5% — this is a growth raise, not an exit. The one pillar that is merely adequate rather than strong is the anchor/BRLM mix: a broad-but-not-front-rank anchor book and a syndicate whose quality leans on IDBI's 82% hit rate rather than all three leads.

For BHNI investors the action is straightforward: apply full-force across all available PANs at the ₹170 cap (the 67-lot / 5,896-share bHNI minimum); we will issue a trailing stop-loss (TSL) update post-listing to manage the exit rather than fixing a hold window now. Because bHNI is already heavily subscribed, per-application allotment will be small — the multiple-PAN approach is what converts a favourable setup into a position of meaningful size. Our base case is a +14–18% listing, supported by the valuation cushion and the demand already on the book.

This is not a risk-free recommendation, and a strong anchor book does not guarantee listing gains. The macro variable that could reset the thesis — US tariff exposure on ~24% of revenue — sits outside the company's control. Size the position, keep a defined exit, and do not let a good grey-market number substitute for a stop.

BHNI Guidance

Investor Category	Guidance	Allocation Approach	Hold Horizon
BHNI	APPLY (listing gains)	Full allocation across all available PANs at ₹170; 67-lot (5,896-share) minimum	Hold post-listing; TSL update to follow

IPO Research Desk is a BHNI-only advisory. Guidance is for listing gains, not long-term ownership.

14. Standard Disclaimer

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Past performance is not indicative of future returns.