



Press Release

Ishaan Plastics Private Limited

August 01, 2024

Ratings

Security / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities	22.75	IVR BBB; Stable (IVR Triple B with Stable Outlook)	IVR BBB-; Stable (IVR Triple B Minus with Stable Outlook)	Upgraded	Simple
Long Term Bank Facilities	1.25	IVR BBB; Stable (IVR Triple B with Stable Outlook)	-	Assigned	Simple
Short Term Bank Facilities	5.80	IVR A3+ (IVR A Three Plus)	IVR A3 (IVR A Three)	Upgraded	Simple
Short Term Bank Facilities	0.20	IVR A3+ (IVR A Three Plus)	-	Assigned	Simple
Total	30.00 (Rupees thirty crore only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The upgrade in the ratings assigned to the bank facilities of Ishaan Plastics Private Limited (IPPL) considers improvement in the business performance of the company in FY2024 (Provisional) [FY refers to period from April 01 to March 31] marked by improvement in its scale of operation with increase in cash accruals leading to improvement in debt protection metrics coupled with comfortable financial risk profile of the company marked by improvement in capital structure. The ratings also continue to derive comfort from long track record of operation of the company under experienced promoters. However, these rating strengths remain constrained due to exposure to intense competition, working capital intensive nature of business and exposure to cyclical nature in the steel industry. The stable outlook reflects expected stable financial performance and vast experience of the promoters.

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to improvement in cash accruals on a sustained basis.



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- Improvement in debt protection metrics with interest coverage of over 3x.
- Improvement in operating cycle leading to improvement in liquidity.

Downward Factors

- Dip in operating income and/or profitability on a sustained basis
- Withdrawal of subordinated unsecured loans of Rs.16.57 crore and/or any unplanned capex leading to moderation in the capital structure with overall gearing ratio deteriorated to above 2x
- Moderation in the debt coverage indicators with moderation in interest coverage ratio to below 2x
- Moderation in liquidity position with elongation in operating cycle

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoter and long track record of the company

IPPL was incorporated in 2005 by Mr. Sanjay Poddar and Mr. Ajay Poddar, who have experience of more than a decade in the business of manufacturing of moulded plastic products and preforms that includes bottles, jars etc. Also, the Poddar family has longstanding experience in the steel trading business since early 70's. The long-standing experience of the promoters has helped the company to establish healthy relationship with its customers and suppliers.

Improvement in business performance

The total operating income of the company has increased from Rs. 248.73 crore in FY23 to Rs. 275.75 crore in FY24 (Prov.) registering a Y-o-Y growth of ~11%. The improvement in revenue is driven by rise in both sales volume and sales realisation in both the segments – plastic products and steel trading. Steel trading contributes ~66% of its total revenue in FY24 (Prov.). Moreover, the profitability of the company has also improved in FY24 (Prov.). The EBITDA margin and PAT margin has improved to 5.36% and 2.04% respectively in FY24 (Prov.) against 3.46% and 0.97% respectively in FY23 on the back of higher absorption of fixed overheads and rise in sales realisation. Fuelled by improved profitability, net cash accruals have also improved to Rs. 7.44 crore in FY24 (Prov.) from Rs. 3.96 crore in FY23.

Moderate capital structure and adequate debt protection metrics



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The capital structure of the company comprises secured term loans, vehicle loans, unsecured loans from promoter and body corporates and cash credit facility. On considering, unsecured loans from promoters and associates as quasi equity the adjusted tangible net worth stood at Rs. 40.93 crore as on March 31, 2024 (Prov.). The capital structure stands satisfactory as on March 31, 2024 (Prov.), with debt equity ratio of 0.47x (0.58x as on March 31, 2023) and overall gearing of 0.98x (1.11x as on March 31, 2023). Moreover, total indebtedness of the company marked by TOL/ATNW also remains satisfactory at 2.23x as on March 31, 2024 (Prov.) (2.72x as on March 31, 2023). The improvement in capital structure is due to accretion of profits to reserve and scheduled repayment of term loans and GECL. The debt protection metrics of the company marked by interest coverage has improved from 2.17x in FY23 to 2.84x in FY24 (Prov.) due to increase in absolute EBITDA. Total debt to NCA improved but remained high at 5.41 years as on March 31, 2024 (Prov.) (9.87 years as on March 31, 2023).

Key Rating Weaknesses

Exposure to intense competition

The preform and pet bottle manufacturing industry is characterised by limited entry barriers and intense competition from numerous small unorganised and organised players. However, IPPL's preferred supplier status and its reputed customers and a long working relationship with the existing clients provide it with some competitive advantage. Further, the steel trading industry is highly competitive with low product differentiation and presence of many players.

Working capital intensive nature of business

The operating cycle of the company remained moderate at 85 days in FY24 (provisional). Further, the working capital intensity is reflected from the high average utilisation of about ~95% in its fund-based limits for the last 12 months ended May 2024.

Exposure to cyclicity in the steel industry

The domestic steel industry is cyclical in nature and is likely to impact the cash flows of the steel players, including IPPL. The steel industry is cyclical in nature and witnessed prolonged periods where it faced a downturn due to excess capacity leading to a downtrend in the prices. Further, the company's operations are vulnerable to any adverse change in the demand-supply dynamics in the real estate sector.

Analytical Approach: Standalone



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Applicable Criteria:

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for Manufacturing Companies](#)

[Rating Methodology for Trading Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Policy on Default Recognition](#)

[Criteria on complexity](#)

Liquidity – Adequate

The liquidity position of the company is expected to remain adequate in the near term. The company expects to earn a gross cash accrual in the range of ~Rs. 9.91-12.25 crore as against debt repayment obligations in the range of Rs. 3.52-4.47 crore during FY25-FY27. However, the average cash credit utilisation of IPPL remained high at ~95% during the past 12 months ended May 2024 indicating limited liquidity cushion.

About the Company

Ishaan Plastics Private Limited (IPPL) is a West Bengal based company incorporated in 2005 and is promoted by Mr. Ajay Poddar and his brother Mr. Sanjay Poddar. The company is engaged in manufacturing of PET Preforms and PET bottles, Plastic Jars of different sizes. The manufacturing unit is located at Ghusuri, Howrah. From September 2017, IPPL has also started trading of iron and steel products. IPPL supplies raw material such as pig iron, pellets, sponge iron to large steel players.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	248.73	275.75
EBITDA	8.59	14.78
PAT	2.41	5.63
Total Debt	39.05	40.30
Tangible Net Worth	18.73	24.36
Adjusted Tangible Net Worth (including Quasi Equity)	35.29	40.93
EBITDA Margin (%)	3.46	5.36
PAT Margin (%)	0.97	2.04
Overall Gearing Ratio (x)	1.11	0.98
Interest Coverage (x)	2.17	2.84

* Classification as per Infomerics' standards.



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Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-2025)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					July 11, 2023	May 26, 2022	-
1.	Term Loans	Long Term	1.80	IVR BBB; Stable	IVR BBB-; Stable	IVR BBB-; Stable	-
2.	GECL	Long Term	1.20	IVR BBB; Stable	IVR BBB-; Stable	IVR BBB-; Stable	-
3.	Cash Credit	Long Term	21.00	IVR BBB; Stable	IVR BBB-; Stable	IVR BBB-; Stable	-
4.	Letter of Credit	Short Term	5.20	IVR A3+	IVR A3	IVR A3	-
5.	Bank Guarantee	Short Term	0.50	IVR A3+	IVR A3	IVR A3	-
6.	CEL	Short Term	0.30	IVR A3+	IVR A3	IVR A3	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

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Annexure 1: Instrument/Facility Details

Name of Facility/ Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loans	-	-	-	FY29	1.80	IVR BBB; Stable
GECL	-	-	-	FY27	1.20	IVR BBB; Stable
Cash Credit	-	-	-	-	21.00	IVR BBB; Stable
Letter of Credit	-	-	-	-	5.20	IVR A3+
Bank Guarantee	-	-	-	-	0.50	IVR A3+
CEL	-	-	-	-	0.30	IVR A3+

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-lshaanPlastics-aug24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.