



## Press Release

### Ishaan Plastics Private Limited

May 26, 2022

#### Ratings

Instrument/ Facility	Amount (Rs. crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long term Bank Facilities	26.25 (Including Proposed limit of 8.88 Crore)	IVR BBB-, Stable (IVR Triple B Minus with Stable outlook)	Assigned	Simple
Short term Bank Facilities	3.75	IVR A3 (IVR A Three)	Assigned	Simple
<b>Total</b>	<b>30.00</b> <b>(INR Thirty Crore Only)</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

The ratings assigned to the bank facilities of Ishaan Plastics Private Limited (IPPL) derives comfort from long-standing experience of its promoters which has helped the company to establish healthy relationship with its customers and suppliers. The ratings also consider IPPL's stable financial performance with y-o-y growth in FY22 (Prov.) along with its moderate capital structure and adequate debt protection metrics. However, these rating strengths are partially offset due to its thin profitability, exposure to intense competition due to presence of many small unorganised and organised players, working capital intensive nature of business and it's exposure to cyclicity in the steel industry.

#### 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.
- Improvement in the capital structure with improvement in overall gearing ratio to below 1x and/or 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



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- Withdrawal of subordinated unsecured loans and/or any unplanned capex leading to moderation in the capital structure with overall gearing ratio deteriorated below 2x
- Moderation in the debt coverage indicators with moderation in the 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 Kumar Podder and Mr. Ajay Podder, 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 Podder 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.

- **Stable financial performance**

The total operating income of the company had witnessed an erratic trend over the last three year ended FY20 Audited - FY22 provisional. It declined from Rs.222.82 crore in FY20 to Rs.210.36 in FY21 and in FY22 provisional, has registered a y-o-y growth of 18.68% and improved to Rs.249.69 crore. The increase in operating income of IPPL is mainly driven by improved revenue generation from plastic segment which had dropped significantly in FY21 to ~17% from around ~37% in FY20 affected by reduced demand in domestic market amid the COVID 19 pandemic. In FY22 (provisional) the manufacturing segment has contributed ~30% of total revenue of the company. Driven by steady increase in revenue and marginal improvement in cost of production both absolute EBITDA and PAT improved from Rs.6.89 crore and Rs.1.26 crore respectively in FY21 to Rs.8.26 crore and Rs.2.57 crore respectively in FY22 (provisional).

- **Moderate capital structure and adequate debt protection metrics**

The capital structure of the company comprises of secured term loans, vehicle loans, unsecured loans from promoter and body corporates and Cash credit facility. On considering, USL from promoters and body corporates as quasi-equity the capital structure



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stands moderate as on March 31, 2022 with debt equity ratio of 0.86x (0.93x as on March 31, 2021) and overall gearing of 1.29x (1.47x as on March 31, 2021). Overall indebtedness of the company marked by TOL/ATNW also remains satisfactory at 1.78x as on March 31, 2022. With rise in absolute profit, the debt protection metrics of the company witnessed improvement and the interest coverage ratio stood at 2.46x in FY22 provisional against 1.76x of FY21. Total debt to GCA though improved, remain high at 10.35 years as on March 31, 2022 (17.04 years in FY21).

### **Key Rating Weaknesses**

- **Thin profitability**

The profitability of the company though improved gradually remained thin over the past three fiscals. The EBITDA and PAT margins stood thin at 3.31% and 1.03% respectively in FY22 (provisional).

- **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 operations are working capital intensive in nature as the company needs to make advance payment to the suppliers of raw materials whereas the company extends credit period of around 60-90 days to its customers which increases the working capital requirements. Also, the credit period extended to the customers in steel trading business of about 60 days. The operating cycle of the company remained moderate at over 81 days in FY22 provisional. Further, the working capital intensity is reflected from the high average utilisation of about ~96% in its fund-based working capital limit.

- **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



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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

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

[Rating Methodology for Trading Companies](#)

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

### **Liquidity – Adequate**

The liquidity position of the company is expected to remain adequate in the near term. The company has earned a gross cash accrual of Rs.3.86 crore in FY22 (provisional) and is expected to earn a gross cash accrual in the range of ~Rs.5.48-6.27 crore as against debt repayment obligations in the range of Rs.3.40-4.66 crore during FY23-25. However, the average cash credit utilisation of IPPL remained high at ~96% during the past 12 months ended March 2022 indicating limited liquidity cushion.

### **About the Company**

Incorporated in 2005, Ishaan Plastic Private Limited (IPPL) is a Kolkata based company promoted by Mr. Ajay Poddar and his younger brother Mr. Sanjay Kumar 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.

**Financials: Standalone**

(Rs. crore)		
For the year ended* / As On	31-03-2021	31-03-2022
	Audited	Provisional
Total Operating Income	210.36	249.69
EBITDA	6.89	8.26
PAT	1.26	2.57
Total Debt	39.98	39.92
Tangible Net worth	14.07	16.63
Adjusted Tangible Net worth	27.23	30.92
EBITDA Margin (%)	3.28	3.31
PAT Margin (%)	0.60	1.03
Overall Gearing Ratio (x)	1.47	1.29



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For the year ended* / As On	31-03-2021	31-03-2022
Interest Coverage Ratio (x)	1.68	2.31

*\*Classification as per Infomerics' standards.*

**Status of non-cooperation with previous CRA:** Not Applicable.

**Any other information:** Nil

**Rating History for last three years:**

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Term Loan	LT	0.37	IVR BBB-; Stable (IVR Triple B Minus with Stable outlook)	-	-	-
2.	Cash Credit	LT	22.88 (Including proposed limit of Rs.8.88 crore)	IVR BBB-; Stable (IVR Triple B Minus with Stable outlook)	-	-	-
3.	ECLGS	LT	3.00	IVR BBB-; Stable (IVR Triple B Minus with Stable outlook)	-	-	-
4.	Letter of Credit	ST	3.00	IVR A3 (IVR A Three)	-	-	-
5.	Bank Guarantee	ST	0.50	IVR A3 (IVR A Three)	-	-	-
6.	LER	ST	0.25	IVR A3 (IVR A Three)	-	-	-

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Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit [www.infomerics.com](http://www.infomerics.com)

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	Sept 2023-	0.37	IVR BBB-, Stable
Cash Credit	-	-	-	22.88	IVR BBB-, Stable
ECLGS	-	-	-	3.00	IVR BBB-, Stable



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Letter of Credit	-	-	-	3.00	IVR A3
Bank Guarantee	-	-	-	0.50	IVR A3
LER	-	-	-	0.25	IVR A3

**Annexure 2: List of companies considered for consolidated analysis: Not Applicable.**

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/Len-Ishaan-Plastics-may22.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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](http://www.infomerics.com).