



Press Release

Pashupati Polytex Private Limited

February 13, 2023

Ratings

Instrument/ Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	105.24 (Enhanced from 65.27)	IVR BBB/ Stable (IVR triple B with Stable outlook)	Rating revised from IVR BB+ INC* and removed from Issuer Not Cooperating category	Simple
Short Term Bank Facilities	49.35 (Enhanced from 18.35)	IVR A3+ (IVR A three plus)	Rating revised from IVR A4+ INC* and removed from Issuer Not Cooperating category	Simple
Total	154.59 (INR One hundred fifty- four crore and fifty-nine lakh only)			

*Issuer did not cooperate; based on best available information

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Pashupati Polytex Private Limited (PPPL) considers the common management team and operational & financial linkages between PEPL and its group entity, Pashupati Laminators Private Limited (PLPL), Pashupati Polytex Private Limited (PPPL), Shree Ram Polymers, and Pashupati Agencies. Infomerics has taken a combined view of these entities referred together as Pashupati Group.

Earlier Infomerics had moved the ratings of Pashupati Polytex Private Limited (PPPL) into Issuer Not Cooperating category vide its press release dated September 28, 2022, due to non-submission of information required for detailed review of the company. However, the company has started cooperating and submitted required information. Consequently, Infomerics has removed the rating from 'ISSUER NOT COOPERATING' category and revised the ratings.

The revision in the rating assigned to the bank facilities of Pashupati Polytex Private Limited (PPPL) derives comfort from its experienced promoters with long operational track record,



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backward integration with group companies aiding operating margins and order book showing adequate revenue visibility, improvement in scale of operation in FY22 with improvement in profitability, comfortable financial risk profile, and well diversified operation. However, these rating strengths remain constrained due to its modest scale of operations, susceptibility of profitability to volatility in raw material price, sizeable project risks arising from ongoing capacity expansion and addition of new line of product, and Intense competition from both large and unorganised sector.

Key Rating Sensitivities:

Upward Factors

- Successful commissioning of the new project leading to a substantial and sustained increase in its scale of operations and profitability from an enhanced production capacity and product portfolio while maintaining the debt protection metrics
- Improvement in the capital structure with improvement in the overall gearing ratio

Downward Factors

- Any decline in revenue and profitability leading to deterioration in debt protection metrics.
- Moderation in the capital structure with deterioration in the overall gearing ratio
- Any significant cost/time over run which may lead to an adverse liquidity position

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters with long operational track record

Pashupati Group was created in the year 2007, when Mr. Vishnu Prakash Goenka laid down the foundation for Pashupati Laminators Private Limited in 2007 and has been engaged in the manufacturing of woven sacks and fabrics, Pashupati Extrusion Private Limited was incorporated in FY15 and has been engaged in the manufacturing of rPET Chips which was promoted by Mr Piyush Kumar Goenka, Mrs Manisha Goenka, Mr Mohit Sharda and Mr Vinay Sharda, Pashupati Polytex Pvt Ltd has been engaged in the manufacturing of Recycled



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Polyester Staple Fibres which is being overseen by Mr Piyush Kumar Goenka and Mr Bankey Bihari Goenka; Pashupati group is a leading name in Recycled Polyester Fibres and Woven Fabrics in India. The promoters have more than 3 decades of experience in the industry cater to textile, packaging, plastic, real estate and agriculture industry.

Backward integration with group companies aiding operating margins and order book showing adequate revenue visibility

Pashupati Polytex Private Limited (PPPL) is into the business of manufacturing of Recycled Polyester Staple Fibre (rPSF) and rPET flakes from pet chips, all kind of PET material and waste plastic bottles. Pashupati Laminators Private Limited (PLPL) is into the manufacture of HDPE woven fabric and bags. Pashupati Extrusion Pvt Ltd (PEPL) is into manufacturing of rPET from post-industrial and post-consumer plastic waste using the partial chemical recycling. PEPL manufactures PET chips from waste material, the plant has a manufacturing capacity of 10800 tonnes. Backward integration into the manufacturing of PET chips provides the group with better quality of raw materials, at a lower cost with ease of access. Pashupati group has an outstanding order book amounting to Rs.63.73 crore denoting that the company has an adequate level of revenue visibility in the medium term.

Improvement in scale of operation in FY22 with improvement in profitability

The topline of the company has witnessed a significant improvement of ~25% in FY2022 driven by steady recovery of the industry from the Covid 19 pandemic. Consequently, the absolute EBITDA of the group has improved from Rs.34.55 crore in FY21 to Rs.46.29 crore in FY22. It generated a PAT of Rs.11.71 crore in FY21 and Rs.16.18 crore in FY22 respectively and GCA of Rs. 24.45 crore in FY21 and Rs. 32.20 crore in FY22 respectively. The group has generated a revenue of Rs. 329.54 crore, and EBITDA of Rs. 36.29 crore in 8MFY23.

Comfortable financial risk profile

The financial risk profile of the group is comfortable. The total debt of the group stood at Rs.132.07 crore as on March 31, 2022. The TNW of the group stood at Rs. 146.95 crore in FY22 as against Rs. 151.17 crore in FY2021 on account of intercompany investments within the group. Consequently, the overall gearing moderated from 0.87 times as on March 31, 2021, to 0.90 times as on March 31, 2022. Overall indebtedness of the group marked by TOL/TNW moderated from 1.05 times as on March 31, 2021, to 1.32 times as on March 31,



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2022, on account of an increase in the trade payables due to an increase in the scale of operation of the group in FY2022. The interest coverage ratio indicator of the group has improved to 4.82 times in FY2022 increasing from 4.02 times in FY21. The debt coverage indicators as depicted by Total Debt/EBITDA improved from 3.80 times in FY2021 to 2.85 times in FY2022. Further, Total Debt/ GCA also improved from 5.37 years in FY2021 to 4.10 years in FY2022. However, the DSCR moderated to 1.64 times as on March 31, 2022, from 1.66 times as on March 31, 2021, on account of an increase in the term loan repayment obligation and interest cost in FY2022.

Well diversified operation

The Pashupati group has been able to diversify its product profile over the years. The group currently manufactures Woven fabrics and Bags, Recycled Polyester Staple Fibre, Synthetic yarns, and recycled PET chips. Further, the group is executing a capex in order to add new line of products in its product profile such as PET granules (Non-food grade), Food grade chips (polyolefin), and HDPE/PP granules (Non-food grade).

Key Rating Weaknesses

Modest scale of operations

The group revenue has been erratic over the years. It has witnessed a decline of ~16% and ~6% in its revenue in FY2020 and FY2021 respectively. The revenue declined from Rs. 468.34 crore in FY 2019 to Rs. 395.70 crore in FY 2020 and Rs. 370.97 crore in FY2021. The decline in FY2020 has been caused by the dip in operating performance of all group companies due to reduced sales as the group was affected by fluctuations in raw material prices, the decline in topline in FY2021 is largely due to the group's operations being shut during the first quarter of the financial year due to the pandemic induced lockdown. However, the company revenue has improved significantly to Rs. 463.79 crore in FY2022 witnessing a year – on – year growth of ~25% driven by steady recovery of the industry from the Covid 19 pandemic. Consequently, the absolute EBITDA of the group has improved from Rs.34.55 crore in FY21 to Rs.46.29 crore in FY22. It generated a PAT of Rs.11.71 crore in FY21 (PY Rs.6.34 crore) and Rs.16.18 crore in FY22 respectively and GCA of Rs. 24.45 crore in FY21 and Rs. 32.20 crore in FY22 respectively.



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Susceptibility of profitability to volatility in raw material price

The price of plastics and related products, which are the primary raw material for the group is volatile in nature on account of being a crude oil derivative due to which the profitability margins of the group are susceptible to the fluctuations in raw material prices. However, the group also has long term contracts with their suppliers which allows them to mitigate the price fluctuation to some extent. The group ultimately passes on the price risk to their customers.

Sizeable project risks arising from ongoing capacity expansion and addition of new line of product

The group has planned to execute a capex of ~Rs. 107.39 crore for expansion of its existing plant capacity along with the introduction of new line of product. The proposed capex will be financed by mix of term loan, internal accruals, and unsecured loan. The term loan is estimated to be Rs. 79.42 crore and balance are expected to be a mix of unsecured loan and internal accruals. The expected COD of the projects are expected to be between September 2023 – April 2024. Although the ongoing brownfield capacity expansion of the Pashupati group is expected to strengthen the combined operational profile, it is exposed to execution and stabilisation risks in the near term. Its ability to get execute the capex in a timely manner and ensure healthy scale-up of operations, will remain crucial for its return and coverage metrics, going forward. With respect to the project execution risks, Infomerics draws comfort from the company's demonstrated track record of successful implementation and ramp-up of the past capacity expansions.

Intense competition from both large and unorganised sector

The business environment remains competitive, given the fragmented and unorganised industry structure for the polyester staple fibre (PSF), PET chips and packaging industry. Despite having a well-established position, Pashupati group remains exposed to stiff competition from other recognised players in the PSF, PET chips and packaging industry.

Analytical Approach: Combined

For arriving at the ratings, Infomerics has combined the financial risk profiles of Pashupati Laminators Private Limited (PLPL), Pashupati Polytex Private Limited (PPPL), Pashupati Extrusion Private Limited (PEPL), Shree Ram Polymers and Pashupati Agencies together



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referred as Pashupati Group. The combination is on account of common management, shareholding pattern along with operational and financial linkages and cash flow fungibility among the companies. The list of companies is given in Annexure 2.

Applicable Criteria

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria for assigning rating outlook](#)

Liquidity – Adequate

The liquidity profile of the group is expected to remain adequate in the near to medium term with sufficient accruals to meet the term debt repayment in the period FY23-FY25. The average working capital utilisation was moderate at 87% during the last 12 months ending in November 2022, which imparts moderate liquidity cushion.

About the Company

Incorporated in the year 2009 with an installed capacity of 43200 TPA, PPPL is engaged in manufacturing of recycled polyester fibre (rPSF) and rPET flakes from PET chips and waste plastic bottles.

About the Group

Pashupati Group was created in the year 2007. The group, which includes Pashupati Extrusion Private Limited, Pashupati Laminators Private Limited and Pashupati Polytex Private Limited are engaged in the manufacturing of Woven fabrics and Bags, Recycled Polyester Staple Fibre, Synthetic yarns, Master Batches and Polyester Chips. The manufacturing units of all the three companies are located in Kashipur, Uttarakhand with a combined installed capacity of 77100 TPA. The group is also engaged in recycling of PET Bottles, boasting the ability to recycle over 1 crore bottles per day, these bottles are converted into chips which are used in various other applications by other industries. The group is engaged in the manufacturing of PP and HDPE Bags and provides diversified packaging solutions to their customers. All the three entities have operational synergies among them,



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Pashupati Polytex is into the business of manufacturing of Recycled Polyester Staple Fibre from pet chips and waste plastic bottles. Pashupati Laminators is into the manufacturing of polyester fabric which is used in making of non-woven sacks and also in the manufacturing sacks. Pashuati Excursion is into manufacturing of pet chips from waste plastic. These pet chips manufactured by Excursion are used as raw material by Pashupati Polytex. Pashupati Excursion which has started operations in FY18 has been set up as backward integration for these companies.

Financials (Combined)*:

For the year ended* / As On	(INR Crore)	
	31.03.2021	31.03.2022
	Combined	Combined
Total Income	371.09	463.95
EBITDA	34.55	46.29
PAT	11.71	16.18
Total Debt	131.41	132.07
Tangible Net worth	151.17	146.95
Adjusted Net worth	177.53	177.20
EBITDA Margin (%)	9.31	9.98
PAT Margin (%)	3.16	3.49
Overall Gearing Ratio (x) on Net Adjusted TNW	0.59	0.57

*Classification as per Infomerics' standards

Financials (Standalone):

For the year ended* / As on	(INR Crore)	
	31.03.2021	31.03.2022
	Audited	Audited
Total Income	175.07	256.19
EBIDTA	17.74	26.07
PAT	4.43	6.65
Total Debt	68.23	67.75
Tangible Net Worth	67.77	74.42
EBDITA Margin (%)	10.14	10.18
PAT Margin (%)	2.53	2.60
Overall Gearing Ratio (x)	1.01	0.91

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil



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Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Type	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
			Amount outstanding (Rs. Crore)	Current Rating	Rating September 28, 2022	Date(s) & Rating(s) assigned in 2021-22 August 02, 2021	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Term Loans	Long Term	42.05	IVR BBB/ Stable	IVR BB+ ISSUER NOT COOPERATING*	IVR BBB/ Stable	-	-
2.	GECL Loans	Long Term	13.19	IVR BBB/ Stable	-	-	-	-
3.	Cash Credit	Long Term	50.00	IVR BBB/ Stable	IVR BB+ ISSUER NOT COOPERATING*	IVR BBB/ Stable	-	-
4.	EPC/PCFC	Short Term	10.00	IVR A3+	IVR A4+ ISSUER NOT COOPERATING*	IVR A3+	-	-
5.	Letter of Credit	Short Term	35.00	IVR A3+	IVR A4+ ISSUER NOT COOPERATING*	IVR A3+	-	-
6.	Bank Guarantee	Short Term	3.50	IVR A3+	IVR A4+ ISSUER NOT COOPERATING*	IVR A3+	-	-
7.	Derivative	Short Term	0.85	IVR A3+	IVR A4+ ISSUER NOT COOPERATING*	IVR A3+	-	-

*Issuer did not cooperate; based on best available information



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Name and Contact Details of the Rating Analyst:

Name: Rajendra Kumar Behera	Name: Sandeep Khaitan
Tel: (033)- 46022266	Tel: (033)- 46022266
Email: rajendra.behera@infomerics.com	Email: sandeep.khaitan@infomerics.com

About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

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

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.



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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 - 1	-	-	FY 2023	0.87	IVR BBB/ Stable
Term Loan - 2			FY 2025	3.14	IVR BBB/ Stable
Term Loan - 3	-	-	FY 2025	5.52	IVR BBB/ Stable
Term Loan - 4	-	-	FY 2026	7.52	IVR BBB/ Stable
GECL - 1	-	-	FY 2026	8.00	IVR BBB/ Stable
GECL - 2	-	-	FY 2028	5.19	IVR BBB/ Stable
Term Loan - 5	-	-	FY 2031	25.00	IVR BBB/ Stable
Cash Credit	-	-	-	24.50	IVR BBB/ Stable
Cash Credit	-	-	-	25.50	IVR BBB/ Stable
EPC/PCFC	-	-	-	10.00	IVR A3+
Letter of Credit	-	-	-	10.00	IVR A3+
Bank Guarantee	-	-	-	2.50	IVR A3+
Letter of Credit	-	-	-	5.00*	IVR A3+
Derivative	-	-	-	0.85	IVR A3+
Bank Guarantee	-	-	-	1.00	IVR A3+
Letter of Credit	-	-	-	20.00	IVR A3+

*75% interchangeability from NFBWC – FLC/ILC to FBWC limits.

Annexure 2: List of companies considered for combined analysis:

Name of the Company	Combining Approach
Pashupati Excursion Private Limited	Full Combining
Pashupati Laminators Private Limited	Full Combining
Pashupati Polytex Private Limited	Full Combining
Shree Ram Polymers	Full Combining
Pashupati Agencies	Full Combining

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-PPPL-feb23.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.