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Pashupati Polytex Pvt Ltd

August 02, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (INR Crores)	Rating Assigned
1.	Long Term Fund Based Facility – Term Loan	40.77	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)
2.	Long Term Fund Based Facility – Cash Credit	24.50	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)
3.	Short Term Non Fund Based Facility – Bank Guarantee	2.50	IVR A3+ (IVR A Three Plus)
4.	Short Term Non Fund Based Facility – Letter of Credit	15.00	IVR A3+ (IVR A Three Plus)
5.	Short Term Non Fund Based Facility – Derivative/Forward Contract	0.85	IVR A3+ (IVR A Three Plus)
	Total	83.62	

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating assignment to the bank facilities of the entity derives comfort from its experienced promoters and reputed promoter group, backward integration with group companies aiding operating margins and order book showing adequate revenue visibility, comfortable financial risk profile. However, volatile and modest scale of operations, intense competition and vulnerability to raw material price fluctuation with ability to pass on the price risk are the rating constraints.

Key Rating Sensitivities

Upward factors:

- Substantial and sustained improvement in revenue backed by volume growth while maintaining profitability and debt protection metrics.

Downward factors:

- Any decline in revenue and profitability leading to deterioration in debt protection metrics.



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Key Rating Drivers with detailed description

Key Rating Strengths

Experienced promoters and reputed promoter group

Pashupati Group was created in the year 2007, when Mr. Vishnu Prakash Goenka laid the foundation for Pashupati Laminators Pvt Ltd in 2007 and is engaged in the manufacture of woven sacks and fabrics, Pashupati Extrusion Pvt Ltd was incorporated in FY16 and is engaged in the manufacture of PET Chips promoted by Mr Piyush Kumar Goenka, Mrs Manisha Goenka, Mr Mohit Sharda and Mr Vinay Sharda, Pashupati Polytex Pvt Ltd is engaged in the manufacture of Recycled Polyester Staple Fibres overseen by Mr Vishnu Prakash 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 Pvt Ltd (PPPL) is into the business of manufacturing of Recycled Polyester Staple Fibre from pet chips and waste plastic bottles. Pashupati Laminators Pvt Ltd (PLPL) is into the manufacture of woven sacks and fabrics. Pashupati Extrusion Pvt Ltd (PEPL) is into manufacturing of PET chips from waste plastic. 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. PLPL has an outstanding order book amounting to INR13.06 crore denoting that the company has an adequate level of revenue visibility in the medium term. On a consolidated basis the operating income of the group has declined by ~8.80% from INR395.70 crore in FY20 to INR360.89 crore in FY21 (P), despite the decline in top line the EBITDA in absolute terms has improved from INR29.28 crore in FY20 to INR34.65 crore in FY21 (P), EBITDA margin has improved from 7.40% in FY20 to 9.60% in FY21 (P). The overall gearing ratio of the group is comfortable at 0.66x, interest coverage ratio at 4.02x in FY21 (P).



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Comfortable financial risk profile

The financial risk profile of PPPL is comfortable with total debt of INR67.71 crore in FY21 (P), consisting of working capital borrowings and long term debt amounting to INR44.60 crore, the long term debt equity ratio is comfortable at 0.54x and the overall gearing ratio is also comfortable at 0.81x in FY21 (P); the total debt of PEPL ha declined from INR33.53 crore in FY20 to INR29.36 crore in FY21 (P), the long term debt declining from INR30.63 crore to INR27.43 crore. On a consolidated basis the total debt of the group amounts to INR116.28 crore, long term debt constituting INR72.24 crore in FY21 (P), the rest are working capital borrowings, the consolidated gearing ratio is 0.66x, and interest coverage ratio remains comfortable for the group at 4.02x, TOL/TNW at 0.85x in FY21 (P).

Key Rating Weaknesses

Modest scale of operations with profitability being vulnerable to fluctuations in raw material prices

The operating income of the group has declined over the past three years with INR468.36 crore in FY19 to INR395.70 crore in FY20 to INR360.89 crore in FY21 (P), the decline in revenues in FY21 was due to the fluctuation in raw material prices (changes in underlying crude oil prices) that has had an effect on the top-line of the company and the operations of the company being affected by the pandemic induced lockdown. The price of granules, a crude oil derivative and one of the primary raw material for the group, has shown volatility during the past few years. The raw materials used by the group have been susceptible to the fluctuations in raw material prices (as their underlying derivative is crude oil) over the years, this has led to reduced profitability in FY20, the group also has long term contracts with their suppliers which allows them to mitigate the price fluctuation to some extent. The company ultimately passes on the price risk to their customers.

Intense competition

Recycled Polyester Staple Fiber manufacturing is a fragmented industry with a large number of players operating in this segment. A large number of small-scale units with increasing capacity additions resulted in fragmented nature of the industry, leading to intense competition among the players.



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Analytical Approach: Consolidated

Infomerics has considered the consolidated financial profiles of **Pashupati Laminators Pvt Ltd (PLPL)**, **Pashupati Polytex Pvt Ltd (PPPL)**, **Pashupati Extrusion Pvt Ltd (PEPL)**, **Shree Ram Polymers** and **Pashupati Agencies Pvt Ltd** together referred as **Pashupati Group**, to arrive at the rating. The consolidation is on account of common management, shareholding pattern along with operational and financial linkages among the companies.

Extent of Consolidation: Full

Applicable Criteria

Rating Methodology for Manufacturing Sector Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity - Adequate

Liquidity is adequate on a consolidated basis, with GCA of INR22.06 crore as compared to their debt obligations amounting to INR19.18 (including CPLTD + Interest) in FY20, leaving the group with a surplus buffer. The group has a current and quick ratio of 1.60x and 0.91x in FY20, the ratio remains slightly stretched due to debtors amounting to INR30.81 crore which are expected to be recovered within a span of 6 months and inventory amounting to INR46.48 crore, there has been an increase in inventory due to accumulation in the latter stages of the financial year which saw lockdown and supply chain restrictions. In FY21 (P), the current ratio has improved to 1.96x and quick ratio to 1.15x.

About the group and company

Pashupati Group since inception have strived to produce quality products with the manufacturing of Woven fabrics and Bags, Recycled Polyester Staple Fibre, Synthetic yarns, Master Batches and Polyester Chips. The group makes a wide range of PP and HDPE Woven fabrics and Bags and provide diversified packaging solutions and also a leading manufacturer of PET Master Batches, Additives & Compounds which caters to the various coloring requirements of plastic processing industries. They specialize in the production of high quality Black PET Master Batches and specialty additives. The group also makes various qualities of synthetic yarns in its spinning mill. Now the group is diversifying into producing specialty



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polymers for specialized applications. Pashupati Polytex is into the business of manufacturing of Recycled Polyester Staple Fiber from pet chips and waste plastic bottles.

Financials (Consolidated)*:

(INR crore)

For the year ended/ As On	31-03-2019	31-03-2020	31-03-2021
	(Audited)	(Audited)	(Provisional)
Total income	468.71	395.92	360.92
EBITDA	34.46	29.28	34.65
PAT	11.01	6.88	13.37
Total Debt	90.41	105.45	116.28
Tangible Net-worth	115.56	164.52	176.81
Ratios			
EBITDA Margin (%)	7.36	7.40	9.60
PAT Margin (%)	2.35	1.74	3.70
Overall Gearing Ratio (x)	0.78	0.64	0.66

* Classification as per Infomerics' standards

Financials (Standalone)*:

(INR crore)

For the year ended/ As On	31-03-2019	31-03-2020	31-03-2021
	(Audited)	(Audited)	(Provisional)
Total income	309.51	252.39	175.08
EBITDA	18.76	15.54	17.91
PAT	5.32	1.55	4.01
Total Debt	48.11	53.43	67.71
Tangible Net-worth	61.79	63.34	67.35
Ratios			
EBITDA Margin (%)	6.06	6.16	10.23
PAT Margin (%)	1.72	0.61	2.29
Overall Gearing Ratio (x)	0.78	0.84	0.81

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: None



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Rating History for last three years:

Sl. No	Name of Instrument/Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (INR crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Fund Based Facility – Term Loan	Long Term	40.77	IVR BBB / Stable Outlook	--	--	--
2.	Long Term Fund Based Facility – Cash Credit	Long Term	24.50	IVR BBB / Stable Outlook	--	--	--
3.	Short Term Non Fund Based Facility – Bank Guarantee	Short Term	2.50	IVR A3+	--	--	--
4.	Short Term Non Fund Based Facility – Letter of Credit	Short Term	15.00	IVR A3+	--	--	--
5.	Short Term Non Fund Based Facility – Derivative/Forward Contract	Short Term	0.85	IVR A3+			

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.



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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, suspend 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.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long Term Bank Facility – Fund Based – Term Loan	NA	NA	Up to 2026	40.77	IVR BBB/ Stable Outlook
Long Term Bank Facility – Fund Based – Cash Credit	NA	NA	Revolving	24.50	IVR BBB/ Stable Outlook
Short Term Bank Facility – Non Fund Based – Letter of Credit	NA	NA	Less than 1 year	2.50	IVR A3+
Short Term Bank Facility – Non Fund Based – Bank Guarantee	NA	NA	Less than 1 year	15.00	IVR A3+
Short Term Non Fund Based Facility – Derivative/Forward Contract	NA	NA	Less than 1 year	0.85	IVR A3+

Annexure 2: List of companies considered for consolidated analysis:

S. No.	Particulars
1	Pashupati Laminators Pvt Ltd
2	Pashupati Extrusion Pvt Ltd
3	Pashupati Polytex Pvt Ltd
4	Pashupati Agencies Pvt Ltd
5	Shree Ram Polymers

Annexure 3: [Facility wise lender details](#)



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<https://www.infomerics.com/admin/prfiles/lenders-Pashupati-Polytex-Pvt-Ltd-2-aug-21.pdf> “

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Cash Credit	Simple
2.	Term Loan	Simple
3.	Letter of Credit	Simple
4.	Bank Guarantee	Simple
5.	Derivative/Forward Contract	Simple

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.