



Press Release

Ishaan Plastics Private Limited

July 11, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	22.75 (reduced from 26.25)	IVR BBB-; Stable (IVR Triple B Minus with Stable outlook)	Reaffirmed	Simple
Short Term Bank Facilities	5.80 (enhanced from 3.75)	IVR A3 (IVR A Three)	Reaffirmed	Simple
Total	28.55 (Rupees twenty-eight crore and fifty-five lakh)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Ishaan Plastics Private Limited (IPPL) draws comfort from long track record of the company under experienced promoters, moderate capital structure and adequate debt protection metrics. However, these rating strengths continues to remain partially offset by its thin profitability, exposure to intense competition, working capital intensive nature of operation and exposure to cyclical nature 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
- Withdrawal of subordinated unsecured loans and/or any unplanned capex leading to moderation in the capital structure with overall gearing ratio deteriorated to above 2x



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- 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 promoters and long track record of the company

IPPL was incorporated in 2005 by Mr. Sanjay Kumar 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.

Moderate capital structure and adequate debt protection metrics

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 capital structure stands moderate as on March 31, 2023, with debt equity ratio of 0.58x (0.78x as on March 31, 2022) and overall gearing of 1.10x (1.23x as on March 31, 2022). However, total indebtedness of the company marked by TOL/ATNW remains moderate at 2.62x as on March 31, 2023. Despite decline in absolute profit, the debt protection metrics of the company witnessed marginal moderation and remained stable with interest coverage ratio stood at 2.16x in FY23 (provisional) against 2.17x in FY22. Total debt to GCA deteriorated and remain high at 10.87 years as on March 31, 2023 (10.06 years as on March 31, 2022).

Key Rating Weaknesses

Thin profitability

The profitability of the company continues to remain thin in FY23 with moderation in profit margins mainly due to rise in cost of raw materials for manufacturing segment and dip in profitability in steel trading segment. EBITDA margin and PAT margin have moderated marginally to 2.97% and 0.84% respectively in FY23 (provisional) against 3.34% and 0.94% respectively in FY22.



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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 over 80 days in FY23 (provisional). Further, the working capital intensity is reflected from the high average utilisation of about ~97% in its fund-based limits for the last 12 months ended March 2023.

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

Applicable Criteria:

[Criteria for assigning Rating Outlook](#)

[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.3.59 crore in FY23 (provisional) and is expected to earn a gross cash accrual in the range of ~Rs.4.88-6.26 crore as against debt repayment obligations in the range of Rs.3.19-4.36 crore during FY24-FY26. However, the average cash credit utilisation of IPPL remained high at ~97% during the past 12 months ended March 2023 indicating limited liquidity cushion.

About the Company



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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. 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)	
	31-03-2022	31-03-2023
	Audited	Provisional
Total Operating Income	249.65	248.70
EBITDA	8.33	7.40
PAT	2.36	2.09
Total Debt	38.06	38.97
Tangible Net worth	16.38	18.74
Adjusted Tangible Net worth	30.92	35.31
EBITDA Margin (%)	3.34	2.97
PAT Margin (%)	0.94	0.84
Overall Gearing Ratio (x)	1.23	1.10

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (May 26, 2022)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loans	Long Term	1.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	-	-
2.	GECL	Long Term	2.75	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	-	-



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3.	Cash Credit	Long Term	19.00	IVR BBB-/Stable (IVR Triple B Minus with Stable outlook)	IVR BBB-/Stable (IVR Triple B Minus with Stable outlook)	-	-
4.	Letter of Credit	Short Term	5.00	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	-	-
5.	Bank Guarantee	Short Term	0.50	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	-	-
6.	CEL	Short Term	0.30	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	-	-

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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: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Term Loan 1	-	-	July 2024	0.04	IVR BBB-/Stable
Long Term Bank Facilities - Term Loan 2	-	-	June 2027	0.96	IVR BBB-/Stable
Long Term Bank Facilities – GECL 1.0	-	-	Sep 2024	1.25	IVR BBB-/Stable
Long Term Bank Facilities – GECL 1.0 Ext	-	-	Dec 2026	1.50	IVR BBB-/Stable
Long Term Bank Facilities – Cash Credit	-	-	-	19.00	IVR BBB-/Stable
Short Term Bank Facilities – Letter of Credit	-	-	-	5.00	IVR A3



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Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Short Term Bank Facilities – Bank Guarantee	-	-	-	0.50	IVR A3
Short Term Bank Facilities – CEL	-	-	-	0.30	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-ispl-jul23.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.