Rating Rationale

March 26, 2021 | Mumbai

Plastiblends India Limited

Ratings reaffirmed at 'CRISIL A+ / Stable / CRISIL A1 '

Rating Action

Total Bank Loan Facilities Rated	**Rs.116 Crore**
Long Term Rating	**CRISIL A+/Stable (Reaffirmed)**
Short Term Rating	**CRISIL A1 (Reaffirmed)**

Rs.15 Crore Commercial Paper	**CRISIL A1 (Reaffirmed)**

1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its 'CRISIL A+/Stable/CRISIL A1' ratings on the bank facilities and commercial paper programme of Plastiblends India Ltd (PBIL).

In fiscal 2020, revenue declined 3% year-on-year due to subdued economic activity and lower demand during the fourth quarter of fiscal 2020, on account of disruptions caused by the Covid-19 pandemic. However, the earnings before interest, tax, depreciation and amortisation (EBITDA) margin improved to 11.5% from 9.6% in fiscal 2019, driven by lower raw material costs. Operating performance was impacted during the first nine months of fiscal 2021, due to the prolonged nationwide lockdown and supply chain disruptions during the period. However, while operating income declined 16% year-on-year during this period, EBIDTA margin sustained above 12%, led by efficient management of raw material price volatility.

The financial risk profile remains strong, backed by low debt level and healthy networth. Furthermore, PBIL repaid its outstanding term debt in February 2021, as per the debt repayment schedule. The ratings continue to reflect PBIL's strong market position in the masterbatch industry, diverse product portfolio and strong liquidity. These strengths are partially offset by susceptibility to volatility in raw material prices and intense competition in the industry.

Analytical Approach

CRISIL Ratings has evaluated the business and financial risk profile of PBIL on a standalone basis, as there are no subsidiaries, associate companies or joint ventures.

Key Rating Drivers & Detailed Description

Strengths:

- **Strong market position in the masterbatch segment**: PBIL is among the largest manufacturers of masterbatches in India, accounting for 10-12% of the organised domestic masterbatch industry. The company's units manufacture a diverse product portfolio catering to domestic and overseas markets. PBIL has strong presence in the Middle East and African markets. Although the company's products are in the nature of commodities, it has maintained better operating margin than its peers because of strong market position and ability to develop value-added products.

- **Strong financial risk profile**: The financial risk profile is backed by low debt level and healthy networth. Low reliance on working capital borrowing, resulted in improvement in overall gearing to 0.17 time as on March 31, 2020, against 0.29 time a year earlier. Furthermore, PBIL has repaid its outstanding term debt in February 2021 as per the debt repayment schedule; and debt profile is now comprised of minimal working capital borrowing. The debt protection metrics remain robust, with interest coverage ratio over 19 times in the first nine months of fiscal 2021.

  The financial risk profile should remain healthy over the medium term, backed by adequate cash accrual and absence of any large capital expenditure (capex).

Weaknesses

- **Exposure to volatility in raw material prices**: Profitability is susceptible to prices of polymer, accounting for 50-60% of the total raw material cost. However, fluctuations in raw material prices are generally passed on to customers by the way of price revision. PBIL revises its pricing on frequent basis (fortnightly or monthly), which helps the company mitigate the impact of volatile raw material prices to some extent.

- **Exposure to intense competition**: The masterbatch industry in India is characterised by the presence of a large, unorganised sector, accounting for almost 50% of the market share. This, coupled with the commoditised nature of the product, results in intense competition in the industry, limiting product differentiation and pricing power for companies such as PBIL.

Liquidity: Strong
Liquidity is backed by healthy cash accrual of Rs 37 crore for the nine months ending December 31, 2020, and cash equivalents of about Rs 8 crore. Liquidity is also supported by unutilised bank lines of around Rs 107 crore as of December 2020. Furthermore, PBIL has repaid its outstanding term debt of around Rs 9 crore in February 2021 as per the debt repayment schedule, and has no long-term debt as on date. Available liquidity and expected annual cash accrual of Rs 30-40 crore in fiscals 2021 and 2022, should suffice to cover moderate capex.

Outlook Stable
CRISIL Ratings believes PBIL will continue to benefit from its established market position in the masterbatch segment, while the financial risk profile is expected to remain comfortable, backed by adequate cash accrual.

Rating Sensitivity factors
Upward factors
- Significant increase in scale of operations with strong compound annual growth rate (CAGR) of 15% or above in revenue, sustaining over the medium term
- Sustained improvement in the operating margin, leading to significantly higher cash accrual

Downward factors
- Weaker-than-expected operating performance, driven by low demand, leading to moderation in the business risk profile
- Sustained decline in operating margin to less than 9% with stagnant revenue, leading to reduced cash accrual
- Weakening of the financial risk profile due to any large, debt-funded capex

About the Company
Incorporated in 1991, PBIL is part of the Kolsite group of companies. It manufactures white, black and coloured masterbatches and compounds used primarily as colouring agents in plastics. The masterbatches are marketed under the trade names - Polyclear, Polynuc, Polyultra, Antimicrobial, Polyrodent, PolyFR and Anti-fibrillation. Its plants in Daman; Roorkee, Uttarakhand; and Surat, Gujarat; have combined manufacturing capacity of 125,000 tonne per annum.

For the nine months ended December 31, 2020, PBIL reported operating income and profit after tax (PAT) of Rs 406 crore and Rs 25 crore, respectively, against Rs 480 crore and Rs 32 crore, respectively, for the corresponding period of the previous fiscal.

Key Financial Indicators (CRISIL Ratings-adjusted numbers)

As on / for the period ended March 31,	Unit	2020	2019
Operating income	Rs crore	606	627
PAT	Rs crore	37	31
PAT margin	%	6.1	5.0
Adjusted debt/adjusted networth Nenetworth	Times	0.17	0.29
Adjusted interest coverage	Times	36.05	7.53

Any other information: Not applicable

Note on complexity levels of the rated instrument:
CRISIL complexity levels are assigned to various types of financial instruments. The CRISIL complexity levels are available on www.crisil.com/complexity-levels. Users are advised to refer to the CRISIL complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity Level	Rating assigned with outlook
NA	Commercial paper	NA	NA	7-365 days	15.0	Simple	CRISIL A1
NA	Working capital facility*	NA	NA	NA	20.0	NA	CRISIL A+/Stable
NA	Working capital facility**	NA	NA	NA	40.0	NA	CRISIL A+/Stable
NA	Packing credit^	NA	NA	NA	50.0	NA	CRISIL A+/Stable
NA	Letter of credit and bank guarantee	NA	NA	NA	3.6	NA	CRISIL A1
NA	Proposed fund-based bank limits	NA	NA	NA	1.4	NA	CRISIL A+/Stable
NA	Proposed letter of credit and bank guarantee	NA	NA	NA	1.0	NA	CRISIL A1

**Interchangeable with packing credit, buyer's credit, post-shipment credit in foreign currency, working capital demand loan, and export bill discounting*
*** Interchangeable with packing credit, buyer's credit, post-shipment credit in foreign currency, working capital demand loan, export bill discounting , Letter of Credit & Bank Guarantee*
^Interchangeable with cash credit, export bill discounting, buyer's credit, post-shipment in foreign currency, and working capital demand loan

Annexure - Rating History for last 3 Years

	Current			2021 (History)		2020		2019		2018		Start of 2018
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	111.4	CRISIL A+/Stable		--	31-03-20	CRISIL A+/Stable	15-03-19	CRISIL A+/Stable	01-03-18	CRISIL A+/Stable	CRISIL A+/Stable
Non-Fund Based Facilities	ST	4.6	CRISIL A1		--	31-03-20	CRISIL A1	15-03-19	CRISIL A1	01-03-18	CRISIL A1	CRISIL A1
			--		--		--		--		--	CRISIL A1
Commercial Paper	ST	15.0	CRISIL A1		--	31-03-20	CRISIL A1	15-03-19	CRISIL A1	01-03-18	CRISIL A1	CRISIL A1

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Letter of credit & Bank Guarantee	3.6	CRISIL A1	Letter of credit & Bank Guarantee	3.6	CRISIL A1
Packing Credit^	50	CRISIL A+/Stable	Packing Credit^	50	CRISIL A+/Stable
Proposed Fund-Based Bank Limits	1.4	CRISIL A+/Stable	Proposed Fund-Based Bank Limits	1.4	CRISIL A+/Stable
Proposed Letter of Credit & Bank Guarantee	1	CRISIL A1	Proposed Letter of Credit & Bank Guarantee	1	CRISIL A1
Working Capital Facility*	20	CRISIL A+/Stable	Working Capital Facility*	20	CRISIL A+/Stable
Working Capital Facility**	40	CRISIL A+/Stable	Working Capital Facility**	40	CRISIL A+/Stable
Total	116	-	Total	116	-

** - Interchangeable with cash credit, export bill discounting, buyer's credit, post-shipment in foreign currency, and working capital demand loan*
*** - Interchangeable with packing credit, buyer's credit, post-shipment credit in foreign currency, working capital demand loan, and export bill discounting*
^ - Interchangeable with packing credit, buyer's credit, post-shipment credit in foreign currency, working capital demand loan, export bill discounting , Letter of Credit & Bank Guarantee

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufaturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
Rating Criteria for Chemical Industry
CRISILs Criteria for rating short term debt

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