

Rating Rationale

March 21, 2022 | Mumbai

Plastiblends India Limited

Ratings Reaffirmed; CP Withdrawn

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Rs.15 Crore Commercial Paper	CRISIL A1 (Withdrawn)
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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 of Plastiblends India Limited (PBIL). CRISIL Ratings has also **withdrawn** its rating on the Rs.15 crore of commercial paper at the request of the issuer since the instrument were not placed. The withdrawal is in line with CRISIL Ratings policy on withdrawing the ratings.

The financial risk profile remains strong, backed by low debt and healthy network. The ratings continue to reflect PBIL's strong market position in the masterbatch industry, diverse product portfolio and strong financial risk profile. 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 a diverse customer bases across 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: Low reliance on working capital borrowing, resulted in improvement in overall gearing to 0.05 times as on March 31, 2021, against 0.17 time a year earlier. Debt profile is now comprised of minimal working capital borrowing and gearing should remain below 0.15 times going forward. The debt protection metrics remain robust, with interest coverage ratio over 20 times in the first nine months of fiscal 2022.

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 the prices of polymer, which accounts for 50-60% of the total raw material cost. This was reflected in fall in operating margin to ~7% in the first six months of fiscal 2022 against ~12% in the corresponding period previous fiscal due to high commodity inflation. However, fluctuations in input prices are generally passed on to customers by the way of price revision. Frequently revising pricing (fortnightly or monthly) helps mitigate the impact of changes in raw material rates to some extent. Margin recovered to above 11% in the quarter through December 2021 and is expected to sustain above 10% over the medium term.

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 36 crore for the nine months ended December 31, 2021, and cash equivalents of about Rs 10 crore. The average bank limit utilisation was ~36% for the 12 months through December 2021. Available liquidity, absence of term debt repayment and healthy expected annual cash accrual of Rs 30-40 crore in fiscals 2022 and 2023 should suffice to cover moderate capex and incremental working capital requirement.

Outlook: Stable

The company will continue to benefit from its established market position in the masterbatch segment, while financial risk profile is expected to remain strong over the medium term, 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, 2021, PBIL reported operating income and profit after tax (PAT) of Rs 499 crore and Rs 24 crore, respectively, against 406 crore and Rs 25 crore, respectively, for the corresponding period previous fiscal.

Key Financial Indicators (CRISIL Ratings-adjusted numbers)

As on/for the period ended March 31,	Unit	2021	2020
Operating income	Rs.Crore	588	606
PAT	Rs.Crore	37	37
PAT Margin	%	6.5	6.1
Adjusted debt/adjusted networkth	Times	0.1	0.17
Adjusted interest coverage	Times	24.5	36.05

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings' complexity levels are assigned to various types of financial instruments. The CRISIL Ratings' complexity levels are available on www.crisil.com/complexity-levels. Users are advised to refer to the CRISIL Ratings' 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	Simple	Withdrawn
NA	Working Capital Facility	NA	NA	NA	60	NA	CRISIL A+/Stable
NA	Packing Credit	NA	NA	NA	50	NA	CRISIL A+/Stable
NA	Letter of credit & 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 & Bank Guarantee	NA	NA	NA	1	NA	CRISIL A1

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2022 (History)		2021		2020		2019		Start of 2019
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	111.4	CRISIL A+/Stable		--	26-03-21	CRISIL A+/Stable	31-03-20	CRISIL A+/Stable	15-03-19	CRISIL A+/Stable	CRISIL A+/Stable
Non-Fund Based Facilities	ST	4.6	CRISIL A1		--	26-03-21	CRISIL A1	31-03-20	CRISIL A1	15-03-19	CRISIL A1	CRISIL A1
Commercial Paper	ST	15.0	Withdrawn		--	26-03-21	CRISIL A1	31-03-20	CRISIL A1	15-03-19	CRISIL A1	CRISIL A1

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Rating
Letter of credit & Bank Guarantee	3.6	CRISIL A1

Packing Credit	40	CRISIL A+/Stable
Packing Credit	10	CRISIL A+/Stable
Proposed Fund-Based Bank Limits	1.4	CRISIL A+/Stable
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	20	CRISIL A+/Stable

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufacturing 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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