

February 02, 2024

Plasmix Private Limited: [ICRA]BBB-(Stable)/[ICRA]A3 assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long term - Fund based – Cash credit	10.00	[ICRA]BBB-(Stable); assigned
Short term - Fund based – LCBD	2.50	[ICRA]A3; assigned
Short term - Non-fund based – Bank guarantee	2.00	[ICRA]A3; assigned
Short term - Non-fund based – FLC/ILC	1.00	[ICRA]A3; assigned
Total	15.50	

*Instrument details are provided in Annexure-I

Rationale

The assigned ratings factor in Plasmix Private Limited's (PPL) diversified presence in manufacturing masterbatches and PP corrugated sheets. Further, PPL has extensive experience in the masterbatches segment. The ratings also factor in PPL's healthy financial risk profile, characterised by low gearing, strong debt coverage metrics and comfortable liquidity. ICRA also notes the company's diversified customer base across various industries with the top 10 customers contributing to less than 30% of the revenues in the last few years. The ratings, however, remain constrained by the company's moderate scale of operations with the margins being vulnerable to the volatility in key raw material prices. Further, PPL faces intense competition from large as well as unorganised players because of the commoditised nature of products. The ratings also factor in the working capital-intensive operations.

The Stable outlook on the rating reflects ICRA's opinion that PPL will continue to benefit from the vast experience of its promoters and its established track record over the years, a healthy financial profile and a diversified product portfolio.

Key rating drivers and their description

Credit strengths

Diversified product segments with extensive experience in manufacturing masterbatches – PPL has diversified product segments, manufacturing both masterbatches and PP corrugated sheets. PPL has been making masterbatches since 1997. It manufactures various types of masterbatches, such as black masterbatches (manufactured by using carbon black pigment), white masterbatches, colour masterbatches, UV masterbatches, additive masterbatches and biodegradable masterbatches. Masterbatches are used in the agriculture sector (water pipes, overhead water tanks, mulch films etc.), automobile sector, plastic furniture etc. PP corrugated sheets are majorly used in industrial packaging, boxes, bins, partitions, branding boards, etc.

Diversified customer base – PPL has a highly diversified customer base belonging to different end-user industries, such as agriculture, automobile sector, cement, plastic furniture, toys, FMCG etc. In FY2023, the top 10 customers accounted for around ~ 24% of the total revenues and around 25% each in FY2022 and FY2021.

Healthy financial risk profile characterised by low gearing, strong debt coverage metrics and comfortable liquidity – The financial risk profile is healthy with a comfortable capital structure, reflected in the TOL/TNW of 0.2 times as on March 31, 2023. PPL does not have any long-term loan and the debt is in the form of working capital loans. The liquidity position is comfortable and the debt coverage metrics remain strong with total debt/OPBIDTA of 0.2 times and interest coverage of 51.4 times in FY2023.

Credit challenges

Moderate scale of operations with margins vulnerable to volatility in raw material prices - PPL's scale remains moderate with operating income of Rs. 150.8 crore in FY2023, limiting the benefits from the economies of scale. Moreover, the margins remain vulnerable to the volatility in raw material prices. The raw material price increases cannot be always passed on directly to the customers owing to competition.

Competition from domestic players – PPL faces intense competition from large as well as unorganised players owing to the commoditised nature of the products where an important deciding factor is reliability and quality control in terms of factors such as colour matching etc. Absence of exact colour matching and other quality controls, reliable supply etc. can lead to customers switching to a different supplier.

Working capital- intensive nature of business – The operations are working capital-intensive with NWC/OI of around ~27% as of FY2023. The NWC/OI has ranged between 23% and 32% over FY2019 to FY2022. PPL maintains an inventory of 30-45 days and the debtor days are 60-75 days.

Liquidity position: Adequate

PPL's liquidity position remains adequate with positive cash flows from operations and adequate buffer in unutilised working capital limits, and no term debt repayment obligations. Further, the company has capex plans of Rs. 13 crore in FY2024 and Rs. 11 crore in FY2025, to be funded from internal accruals.

Rating sensitivities

Positive factors – ICRA may upgrade PPL's ratings if the company demonstrates a significant improvement in its scale of operations and profitability while maintaining a healthy liquidity position.

Negative factors – Pressure on PPL's ratings could arise if there is a sustained decline in revenue and profitability, or a stretch in the working capital cycle, along with a large debt-funded capex, which will weaken the credit profile. The ratings may be downgraded if the interest coverage is less than 3 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Chemicals
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of PPL

About the company

Plasmix Pvt Ltd, incorporated in 1997, manufactures masterbatches and PP corrugated sheets. It has an installed capacity of ~18,500-MTPA masterbatches and ~4,500-MTPA PP corrugated sheets. The company is promoted by Mr. Neeraj Mittal, who has significant experience in the field.

Key financial indicators (audited)

	FY2022	FY2023
Operating income	129.9	150.8
PAT	10.7	9.5
OPBDIT/OI	9.7%	9.0%
PAT/OI	8.2%	6.3%
Total outside liabilities/Tangible net worth (times)	0.2	0.2
Total debt/OPBDIT (times)	0.2	0.1
Interest coverage (times)	28.1	51.4

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on March 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				Feb 02, 2024	-	-	-
1 Fund based – Cash credit	Long term	10.00	-	[ICRA]BBB-(Stable)	-	-	-
2 Fund based – LCBD	Short term	2.50	-	[ICRA]A3	-	-	-
3 Non-fund based – Bank guarantee	Short term	2.00	-	[ICRA]A3	-	-	-
4 Non-fund based – FLC/ILC	Short term	1.00	-	[ICRA]A3	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Cash credit	Simple
Short term - Fund based – LCBD	Very Simple
Short term - Non-fund based – Bank guarantee	Very Simple
Short term - Non-fund based – FLC/ILC	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or

complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund based – Cash credit	NA	NA	NA	10.00	[ICRA]BBB-(Stable)
NA	Fund based – LCBD	NA	NA	NA	2.50	[ICRA]A3
NA	Non-fund based – Bank guarantee	NA	NA	NA	2.00	[ICRA]A3
NA	Non-fund based – FLC/ILC	NA	NA	NA	1.00	[ICRA]A3

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis: Not Applicable

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