

March 27, 2024

## Pioneer Polyleathers Private Limited: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund based – Term loan	10.00	10.00	[ICRA]A- (Stable); reaffirmed
Long-term – Fund based – Cash credit	62.00	62.00	[ICRA]A- (Stable); reaffirmed
Short-term – Non-fund based limits	33.00	33.00	[ICRA]A2+; reaffirmed
<b>Total</b>	<b>105.00</b>	<b>105.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The ratings reaffirmation factors in the healthy market position of Pioneer Polyleathers Private Limited (PPPL) in the PVC flex industry, supported by its track record and widespread distribution network. ICRA further takes note of the company's ongoing efforts to diversify through new products' development, which would offer growth opportunities in the medium to long term. The ratings positively consider low gearing, healthy coverage indicators and adequate liquidity characterised by limited reliance on external debt, which is expected to sustain in the medium term.

However, the ratings are constrained by PPPL's moderate and rangebound scale and working capital-intensive nature of operations. The ratings factor in significant receivables overdue for more than six months, which remains a concern. Also, while the company has built-in sizeable capacities, intense competition has resulted in oversupply in the market leading to sub-optimal capacity utilisation and weak returns. Nonetheless, some improvement has been witnessed as the company reconfigured its capacities which resulted in better capacity utilisation levels. The ratings further remain constrained by the volatility in raw material prices and forex rate fluctuations, which might impact its scale and profitability. However, the company's low indebtedness with limited long-term obligations continues to support its financial and liquidity profiles.

The Stable outlook on the [ICRA]A- rating reflects ICRA's opinion that PPPL will continue to benefit from its experienced management team, established presence in the flex banner business along with a steady demand outlook. Moreover, PPL's product diversification plans will lower its dependence over PVC flex sales over the medium term.

### Key rating drivers and their description

#### Credit strengths

**Established position in the domestic market** – PPPL is one of the largest flex sheet manufacturers in India and enjoys a sizeable market share. It has established relationships with customers and suppliers, which help in managing the business efficiently. Operational since 2008, PPPL was one of the first domestic manufacturers of PVC flex banners in the organised segment in India. The company also enjoys lengthy associations and healthy relationships with dealers in this industry which support its market position.

**Low indebtedness and healthy coverage indicators** – The company has gradually reduced its reliance on external debt, particularly working capital debt by decreasing its debtors and effectively managing its working capital cycle which was stretched till FY2022. The company does not have any major long-term debt on its books and, subsequently, there is limited repayment, going forward. The gearing of the company remained strong at 0.01 times as on March 31, 2023 and is expected to be 0.01 times by the end of FY2024. The coverage indicators remained healthy in FY2023 and are expected to be at similar

levels in FY2024 on account of negligible external debt and nominal interest cost. As on March 31, 2023, the company reported interest coverage of 23.92 times, TOL/TNW of 0.22 times and DSCR of 11.95 times. The coverage indicators are expected to improve in FY2024. ICRA also notes that there has been a buyback through equity infusion by the existing promoter, which led to decline in expected Tangible Net Worth of the company to Rs. 239 crore in FY2024 over Rs. 255 crore in FY2021. No further buybacks are expected in the near to medium term.

**Product diversification augurs well for future growth** – The major source of the company’s revenue continues to be from the signage division, which includes sales from PVC flex banners, foam board and self-adhesive vinyl sheets. However, with expected limited upside in the segment’s growth, the company has stepped-up its efforts to diversify the product mix in the other segments such as the decorative and tapes segment. The products in both the segments have been developed and the company is shoring up the distribution channel for both the segments at present. The company is planning to scale up both verticals and derive its growth from these two, going forward.

### Credit challenges

**Moderate and rangebound scale of operations** – The company is expected to witness flat revenue growth in FY2024, on the back of low average realisation despite expected healthy growth in the volumes. As a result, the scale of the company is expected to remain moderate at ~Rs. 300 crore in FY2024 in comparison to Rs. 311 crore in FY2023. The company’s scale is moderate and rangebound as it has remained around these levels since past several years. However, PPPL’s profitability improved with OPM of 12.14% in 11M FY2024 from 8.39% in FY2023, on account of better product mix and operating leverage. Subsequently, the expected RoCE of the company at 8.6% in FY2024 is expected to improve from 7.0% in FY2023. The RoCE is expected to gradually improve as existing capacities have been reconfigured and returns from newly developed products will increase.

**Intense competition in fragmented industry** – The intense competition from the unregulated industry pressurises the company’s revenues and profitability as the PVC flex segment has over-capacity in the market, which has further resulted in over supply and limited supply in an industry with a limited market size.

**Susceptibility to fluctuation in raw material prices and forex** – The company remains vulnerable to fluctuations in raw material prices and exchange rates on account of its dependence on raw material imports. It is able to pass on raw material price increases to a large extent to its customers, often with a lag. The extent of natural hedge has also reduced, given the declining trend of exports in the company. However, the company passes on the price difference to its clients to a large extent and has realised gains due to currency fluctuations for the past three years.

**Moderately high working capital intensity** – The company’s working capital intensity of operations has improved substantially but is still expected to remain moderately high at ~30% in FY2024. The company has managed to significantly bring down its receivables and inventory days, from the levels of FY2021 and FY2022. A significant share of receivables overdue for more than six months continues to be a concern. However, there has been slight improvement in the greater-than-six-months debtors outstanding as well in 11M FY2024 in comparison to FY2023. ICRA notes that there may be some debtor provisioning in FY2024 in line with the company’s accounting practices.

### Liquidity position: Adequate

PPPL’s liquidity position remains adequate, with expected cash flows from operations to be sufficient for its funding needs. The company has nil repayments and limited capex envisaged going forward. Further, the company had cash and bank balances of ~Rs. 2-3 crore as of December 2023, supported by ~Rs. 50 crore of cushion in working capital facilities, which lends comfort.

### Rating sensitivities

**Positive factors** – ICRA could upgrade PPL’s ratings if there is sustained improvement in its scale of operations and strengthening of its business profile through product diversification. Improvement in profitability and sustenance of coverage indicators on a sustained basis would support a rating upgrade.

**Negative factors** – Significant decline in operating income and profitability, or sizeable build-up in receivables position impacting the company’s liquidity position on a sustained basis can lead to a rating downgrade. A specific credit metric that could lead to a downgrade is if interest coverage is less than 4.0 times on a sustained basis.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

## About the company

Pioneer Polyleathers Private Limited (PPPL), incorporated in 2005, manufactures digital print media products such as PVC flex banner and foam sheets which are used for indoor/outdoor advertising. PPPL is the first and one of the largest domestic manufacturers of PVC flex banner with backward integration into manufacturing of knitted polyester fabric. In addition to PVC flex banner which is used in hoardings, banners and billboards, PPPL manufactures PVC foam sheets which is a lightweight and strong material used for pasting/mounting of digital prints for indoor advertising. PPPL has recently reconfigured its manufacturing capacities at the unit in Pantnagar (Uttarakhand). The installed annual capacity has been revised to 43,000 MT of PVC flex banner, 5,000 MT of PVC foam sheet, 910 lakh sq. mt. of knitted fabric and 5,600 MT of self-adhesive vinyl sheet.

Other variants of the products manufactured by the company include PVC film, PVC tarpaulin (by-product), self-adhesive film of plastics (vinyl) & other related items. The company has also forayed in developing products for interior decoration space, which involves high-quality designer PVC films and has recently set up a facility to manufacture adhesive tapes, the plant for which was commissioned in August 2023.

## Key financial indicators (audited/provisional)

PPPL Standalone	FY2022	FY2023	11M FY2024*
Operating income	265.4	311.7	275.1
PAT	4.2	10.3	18.7
OPBDIT/OI	6.9%	8.4%	12.1%
PAT/OI	1.6%	3.3%	6.8%
Total outside liabilities/Tangible net worth (times)	0.3	0.2	-
Total debt/OPBDIT (times)	1.1	0.1	-
Interest coverage (times)	5.9	23.9	-

Source: Company, ICRA Research; All ratios as per ICRA’s calculations; Amounts in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; \* Provisional Numbers

**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 of Dec 31, 2023	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				Mar 27, 2024	Jan 27, 2023	Nov 18, 2021	Aug 05, 2020
1 Fund based – Term loan*	Long-term	10.00	0.00	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)
2 Fund based – Cash credit	Long-term	62.00	-	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)
3 Non-fund based limits	Short-term	33.00	-	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+
4 Unallocated limits	Long-term	-	-	-	-	[ICRA]A-(Stable)	[ICRA]A-(Stable)

\*Sanctioned but not availed

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund based – Term loan	Simple
Long-term – Fund based – Cash credit	Simple
Short-term – Non-fund based limits	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	<b>Fund Based – Term Loan*</b>	NA	NA	NA	10.00	[ICRA]A- (Stable)
NA	<b>Fund Based – Cash Credit</b>	NA	NA	NA	62.00	[ICRA]A- (Stable)
NA	<b>Non-Fund Based Limits</b>	NA	NA	NA	33.00	[ICRA]A2+

Source: Company; \*Sanctioned but not availed

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

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

## ANALYST CONTACTS

**Shamsher Dewan**  
+91 124 4545 328  
[shamsherd@icraindia.com](mailto:shamsherd@icraindia.com)

**Kinjal Shah**  
+91 022 6114 3442  
[kinjal.shah@icraindia.com](mailto:kinjal.shah@icraindia.com)

**Sheetal Sharad**  
+91 124 4545374  
[sheetal.sharad@icraindia.com](mailto:sheetal.sharad@icraindia.com)

**Nishant Misra**  
+91 124 4545862  
[nishant.misra@icraindia.com](mailto:nishant.misra@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**  
+91 22 6114 3406  
[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**  
Tel: +91 124 4545 860  
[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)  
[info@icraindia.com](mailto:info@icraindia.com)

## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited



### Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



© Copyright, 2024 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.