

December 27, 2024

Polyplastics Industries India Pvt. Ltd.: Long-term rating upgraded to [ICRA]A (Stable); short-term rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund based – Cash Credit	100.00	120.00	[ICRA]A (Stable); upgraded from [ICRA]A- (Stable)
Long-term – Fund based – Term Loan	93.04	79.85	[ICRA]A (Stable); upgraded from [ICRA]A- (Stable)
Short-term – Non-fund based Limits	52.50	38.50	[ICRA]A2+; reaffirmed
Long-term/Short-term – Unallocated Limits	3.46	10.65	[ICRA]A (Stable); upgraded from [ICRA]A- (Stable); [ICRA]A2+; reaffirmed
Total	249.00	249.00	

*Instrument details are provided in Annexure-I

Rationale

For arriving at the ratings, ICRA has taken a consolidated view of Polyplastics Industries India Pvt. Ltd. (PIPL), Polyplastics Auto Components Private Limited (PACL), Polyplastics Decorative Pvt. Ltd. (PDPL) and other entities of the Polyplastics Group (hereafter collectively referred to as the Group), given the strong operational and financial linkages among the entities. ICRA has considered the consolidated financial statements of Polyplastics Industries India Pvt. Ltd., along with its subsidiaries and associates.

The ratings upgrade factors in the steady increase in the Group's revenues and earnings along with improving capital structure and debt protection metrics in the recent years, and ICRA's expectation of sustenance of the same over the near-to-medium term. Further, ICRA expects that the Group will benefit from its continued expansion into new painting lines and greenfield expansion in Kharkhoda (Haryana) to cater to Maruti Suzuki India Limited's (MSIL) new manufacturing plant. This is likely to further strengthen its operational and credit risk profiles. Moreover, a healthy share of business (SOB) with key principals should enable the Group to maintain a steady order book and thus, healthy capacity utilisation. Additionally, the ratings continue to factor in the Group's established track record for more than three decades, vast experience of its promoters in the electroplated plastic components business, and its strong business relationships with reputed original equipment manufacturers (OEMs) such as MSIL, Tata Motors Limited (TML), Renault Nissan (Renault), Mahindra and Mahindra (M&M) and Honda Motorcycle (Honda) etc.

The ratings are, however, constrained by intense competition in the industry and the Group's high dependence on the passenger vehicle (PV) segment, which drives around 70% of the Group's turnover. Besides, its earnings remain vulnerable to any supply or demand disruption in the end-user segment and cyclicalities in the overall automotive industry. While the Group has largely been able to maintain its operating margins by implementing cost-optimisation measures and pass-through model, its ability to sustain its healthy earnings remains key amid moderate demand in the industry.

The Stable outlook on the rating reflects ICRA's expectations that the Group will benefit from its established business position and long relationships with reputed OEMs, supporting future revenue growth and earnings.

Key rating drivers and their description

Credit strengths

Established market position and extensive experience of promoters in the auto components/accessories industry – The Polyplastics Group has a leading market position in plastic moulded and chrome-plated automotive components such as emblems, grills, and wheel cover etc., in the domestic market. On a consolidated basis, emblems, and grills account for ~16% and 28% of the Group's revenues, respectively, in FY2024. The company continues to maintain a dominant position in the emblem and grills product segments with a high SOB with leading OEMs. It also benefits as its plants are in proximity to production facilities of various OEMs across the country. The promoters have extensive experience of more than three decades in the auto ancillary industry.

Long established relationships with reputed OEMs – The Group has established relationships and healthy SOB with major OEMs in the PV and two-wheeler (2W) segments like MSIL, TML, Renault and Honda etc. The Group has a moderately diversified customer profile with its top three customers accounting for 44% of the Group's revenues in FY2024. The Group has been able to maintain a healthy SOB with its key clientele in specific product categories, such as emblems, chrome-plated grills and interior/exterior decorative parts. Moreover, it has added some new customers such as TML, M&M etc in the last 2-3 years. The Group has plan to increase substantial capacity in the paint category, for which demand has been increasing from the OEMs. The Group witnessed a revenue growth in the recent years, supported by volume rise as well as increased product realisations. The Group was able to ramp up its new capacity additions in its Gujarat and Tamil Nadu plants. Going forward, the earnings growth may moderate due to ongoing moderate demand in the PV segment.

Steady revenue growth and expansion in earnings in recent years – The Group has reported a steady growth in revenues and net cash accruals (NCA) of ~Rs. 1,010 crore and Rs. 84 crore in FY2024 compared to ~Rs. 527 crore and ~Rs. 42 crore, respectively in FY2021, supported by healthy demand in the automobile industry, particularly in the PV segment. There has been an increase in demand for decorative, exterior and plastic components in the automobile industry in the recent years, especially for the new model launches. Moreover, in line with changing customer requirements, the Group has also enhanced its paint-shop capacities across its various plants and is also in the process of setting up a new plant in Kharkhoda (primarily to cater to MSIL's plant in this region), which is expected to support future growth.

Improving capital structure and debt protection metrics – There has been a steady improvement in the Group's financial risk profile since FY2022, led by relatively stable debt levels and a healthy increase in earnings. Consequently, its debt protection metrics have witnessed a steady improvement, as marked by total debt/OPBDITA of 1.8 times in FY2024 against 4.0 times in FY2022 and an interest coverage of 6.0 times in FY2024 against 3.2 times in FY2022. The Group has irregular repayment burden between FY2022 and FY2025 due to large debt-funded capex for Dalsana (Gujarat) manufacturing plant and debt taken during the pandemic (Covid). However, a substantial decline in debt repayment liability, longer maturity of recently availed term loans, no significant addition in debt levels along with expansion in earnings are expected to further strengthen the financial risk profile over the medium term.

Credit challenges

Exposure to cyclicity in the auto sector, with PV segment driving a large share of revenues – The Group derives most of its revenues from the domestic automotive market and, hence, its earnings remain susceptible to the inherent cyclicity of the sector. Around 70% of the Group's revenues comes from the PV segment, followed by ~20% from the 2W segment and the remaining from the commercial vehicle (CV) segment and the non-automotive segment such as sanitary ware. Hence, any adverse impact on PV demand would exert pressure on the company's prospects.

Intensely competitive industry limits pricing power – The auto ancillary industry is intensely competitive due to the presence of various organised and unorganised players. This limits the pricing power of industry players and keeps profitability under check.

Liquidity position: Adequate

The Group has an **adequate** liquidity profile, supported by steady internal accrual generation, free cash balance of ~Rs. 47 crore and unutilised working capital limits of ~Rs. 25 crore as of September 2024. Although, the debt repayment obligations are sizeable at ~Rs. 58 crore in FY2025 and ~Rs. 35 crore in FY2026, ICRA expects the Group to meet these through its cash flow generation, as operations scale up. The Group also has an annual capex plan of Rs. 45-50 crore, out of which ~75% is to be funded by bank debt, which has already been sanctioned for the capex being incurred over FY2025.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if the Group demonstrates a healthy revenue growth and expansion in earnings, without any material increase in its debt levels, strengthening its debt protection metrics and liquidity position.

Negative factors – Pressure on the ratings could arise if the Group reports a significant reduction in revenues, cash accruals or a stretch in the working capital cycle. Specific credit metric for ratings downgrade includes Total Debt/OPBDITA of higher than 2.3 times, on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology – Auto Components
Parent/Group support	Not Applicable.
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of PIPL. List of companies are given in Annexure-II.

About the company

PIPL, the flagship company of the Polysplastics Group, was established as a partnership firm in 1968, and was converted into a private company in September 2008. This is the flagship company of the Polyplastics Group and manufactures automotive components and assemblies, including emblems (electroplated, painted, gold plated, and hot stamped), automotive plastic-moulded components, wheel trims, and wheel covers, bigger electroplated parts (radiator grills, licence plate garnishes, hood strips), decorative body-side moulding, etc. The company has five manufacturing units — one each in Yamuna Nagar (Haryana), Pune (Maharashtra), Bawal (Haryana), Sanand (Gujarat), and Dalsana (Gujarat). The company's clientele includes major automobile players such as MSIL, Honda, TML, and General Motors, among others. Headquartered in Gurgaon (Haryana), the Group is headed by promoters, Mr. Kamal Gupta, and Mr. Kapil Gupta.

Key financial indicators (audited)

PIPL – Consolidated	FY2023	FY2024
Operating income	956.8	1009.8
PAT	28.9	49.2
OPBDIT/OI	10.8%	11.6%
PAT/OI	3.0%	4.9%
Total outside liabilities/Tangible net worth (times)	2.0	1.5
Total debt/OPBDIT (times)	2.2	1.8
Interest coverage (times)	4.7	6.0

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; Note: All financial ratios as per ICRA's calculation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current year (FY2025)		Chronology of rating history for the past 3 years						
		Amount Rated (Rs. crore)	FY2025		FY2024		FY2023		FY2021	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Cash Credit	Long term	120.00	27-Dec-2024	[ICRA]A (Stable)	28-Sept-2023	[ICRA]A- (Stable)	21-Dec-2022	[ICRA]A- (Stable)	25-Mar-2021	[ICRA]A- (Stable)
			-	-	-	-	30-Jun-2022	[ICRA]A- (Stable)	3-Sep-2020	[ICRA]A- (Negative)
Term Loans	Long term	79.85	27-Dec-2024	[ICRA]A (Stable)	28-Sept-2023	[ICRA]A- (Stable)	21-Dec-2022	[ICRA]A- (Stable)	25-Mar-2021	[ICRA]A- (Stable)
			-	-	-	-	30-Jun-2022	[ICRA]A- (Stable)	3-Sep-2020	[ICRA]A- (Negative)
Non-fund Based Limits	Short term	38.50	27-Dec-2024	[ICRA]A2+	28-Sept-2023	[ICRA]A2+	21-Dec-2022	[ICRA]A2+	25-Mar-2021	[ICRA]A2+
			-	-	-	-	30-Jun-2022	[ICRA]A2+	3-Sep-2020	[ICRA]A2+
Unallocated Limits	Long term and short term	10.65	27-Dec-2024	[ICRA]A (Stable)/ [ICRA]A2+	28-Sept-2023	[ICRA]A- (Stable)/ [ICRA]A2+	21-Dec-2022	[ICRA]A- (Stable)/ [ICRA]A2+	25-Mar-2021	[ICRA]A- (Stable)/ [ICRA]A2+
			-	-	-	-	30-Jun-2022	[ICRA]A- (Stable)/ [ICRA]A2+	3-Sep-2020	[ICRA]A- (Negative)/ [ICRA]A2+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term – Fund Based – Cash Credit	Simple
Long Term – Fund Based – Term Loans	Simple
Short Term – Non-Fund Based	Very Simple
Long-term/Short-term – Unallocated Limits	Not Applicable

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	Cash Credit	NA	NA	NA	120.00	[ICRA]A(Stable)
NA	Term Loans	Apr-2019	9.4 -10.4%	Mar-2028	79.85	[ICRA]A(Stable)
NA	Non-fund Based Limits	NA	NA	NA	38.50	[ICRA]A2+
NA	Unallocated Limits	NA	NA	NA	10.65	[ICRA]A(Stable)/ [ICRA]A2+

Source: Company

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

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Polyplastics Industries India Pvt. Ltd.	NA*	Full Consolidation
Subsidiaries		
Polyplastics Auto Components Private Limited	99.71%	Full Consolidation
Polyplastics Decorative Private Limited	99.79%	Full Consolidation
K2 Cadem Technologies Private Limited	50.00%	Full Consolidation
Polyplastics Mechatronics Private Limited	50.06%	Full Consolidation
Decorax Industries Private Limited	70.00%	Full Consolidation
Associates		
Polyplastics Uttar Bharat Private Limited	80.87%	Equity Method
Sakae Riken Polyplastics India Private Limited	24.00%	Equity Method

Source: Company; * Parent Company

ANALYST CONTACTS

Shamsher Dewan

+91 124 4545328

shamsherd@icraindia.com

Kinjal Shah

+91 22 6114 3442

kinjal.shah@icraindia.com

Deepak Jotwani

+91 124 4545 870

deepak.jotwani@icraindia.com

Uday Kumar

+91 124 4545 867

day.kumar@icraindia.com

Shubham Gupta

+91 124 4545 399

shubham.gupta2@icraindia.com

RELATIONSHIP CONTACT

L Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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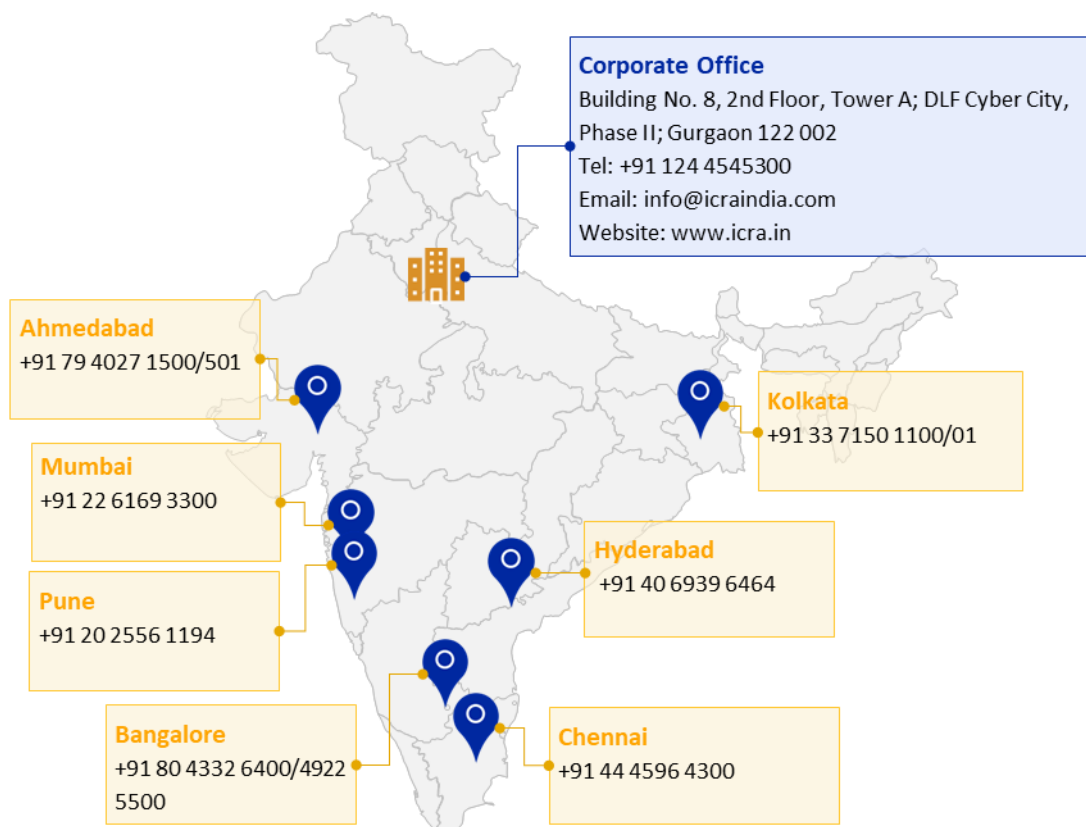


Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



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