

Borana Plastic Limited

Instrument	Amount Rated (Rs. Crore)	Rating Action
Cash Credit	Rs. 10.00 crore	[ICRA]BB+(Stable) reaffirmed
Bank Guarantee	Rs. 9.00 crore	[ICRA]A4+ reaffirmed

ICRA has reaffirmed the long-term rating of [ICRA]BB+ (pronounced ICRA double B plus) to the Rs. 10.00 crore¹ cash credit limits of Borana Plastic Limited (BPL)². ICRA has also reaffirmed the short-term rating of [ICRA]A4+ (pronounced ICRA A four plus) to the Rs. 9.00 crore bank guarantee limits of BPL. The outlook on the long term rating is 'Stable'.

Rating Rationale

The reaffirmation of ratings continues to factor in the established presence of the company in the polymer business along with being one of the leading Del Credere Agents (DCA) for Indian Oil Corporation Limited (IOCL). The ratings also favourably factors in the diversified customer base of the company and sound risk management policies in-place.

The ratings however continues to remain constrained by the company's significant exposure to the credit risk of its customers, considering limited net worth base which makes it vulnerable to any significant defaults by the customers; however, risk management policies adopted helps mitigate the risk to an extent. The ratings also take into account the modest cash accruals generated in the business and the vulnerability of the company's profitability to interest rate fluctuations considering the significant contribution of interest income to the total revenue; ability of the company to pass on any increase in interest rates remains important. Further, the operations of the company remain exposed to the production levels for the principal, Indian Oil Corporation Ltd's (IOCL) for polymer products.

Going forward, the company's sales volumes are expected to be driven by the healthy demand indicators in the western region for polymer products though it would remain linked to IOCL's production volumes. The company's revenues would also comprise of early payment incentives from IOCL as well as interest income earned on the credit period provided to the customers. The profitability margins would remain linked to the company's ability to maintain a healthy spread between the interest charged to its customers and the interest paid to its lenders. The gearing of the company is expected to remain at comfortable levels, with the borrowings largely working capital in nature. ICRA however notes that the company's net worth remains limited in comparison to the credit exposure taken and any significant defaults by the customers would have a negative bearing on the company's financial profile.

Company Profile

Borana Plastic Limited (BPL) was incorporated as a partnership concern in 1969 by Mr. Chandanmal Borana and his son, Mr. Baboolal Borana, and subsequently converted to a public limited company in 1988. The company's operations are currently being looked after by Mr. Manish Borana who is the son of Mr. Baboolal Borana. BPL was initially involved in the acrylics business though it subsequently entered into the polymers business, in which it has been present for about three decades. The company took up the distributorship of IOCL products from May 2010, along with IOCL's commissioning of its Naphtha cracker plant at its Panipat Refinery. BPL is involved in sales of the following polymer products: HDPE (high density polyethylene), LLDPE (linear low density polyethylene) and PP (polypropylene).

Recent Results

During FY 2015, BPL reported an operating income of Rs. 2.67 crore and profit after tax of Rs. 0.98 crore as against an operating income of Rs. 3.07 crore and profit after tax of Rs. 1.11 crore during FY 2014.

April 2016

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.



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