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Pashupati Excursion Private Limited

March 11, 2024

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	70.01 (including proposed limit of Rs. 2.34 crore)	IVR BBB/ Stable (IVR triple B with Stable outlook)	Reaffirmed/ Assigned	Simple
Short Term Bank Facilities	9.02 (including proposed limit of Rs. 3 crore)	IVR A3+ (IVR A three plus)	Reaffirmed/ Assigned	Simple
Total	79.03 (Rupees seventy nine crore and three lakhs only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Pashupati Excursion Private Limited (PEPL) considers the common management team and operational & financial linkages between PEPL and its group entity, Pashupati Laminators Private Limited (PLPL), Pashupati Polytex Private Limited (PPPL) and Shree Ram Polymers. Infomerics has taken a combined view of these entities referred together as Pashupati Group.

The ratings reaffirmation and assignment of the rating to the bank facilities of Pashupati Excursion Private Limited (PEPL) derives strength from the improving business risk profile of the company as reflected from its increasing revenue backed by the extensive experience of the promoters in the industry supported by backward integration of the group. The rating also factors in the efficient working capital management of the group. However, these rating strengths remain constrained due to moderate financial risk profile arising from ongoing capacity expansion, susceptibility of profitability to volatility in raw material price, intense competition from both large and unorganised sector.

Key Rating Sensitivities:

Upward Factors



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- Significant and sustained growth in scale of operations with improvement in profitability and cash accruals
- Improvement in the capital structure and debt protection metrics on a sustained basis
- Managing working capital requirement efficiently leading to improvement in the operating cycle with improvement in liquidity.

Downward Factors

- Decline in the revenue and/ or profits leading to an overall deterioration in the financial risk profile of the company
- Moderation in the capital structure and/ or coverage indicators
- Elongation in the operating cycle with moderation in liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Established track record of operations coupled with experience management**

Incorporated in 2007, Pashupati group has a long operational track record of more than fifteen years in manufacturing recycled polyester fibres and woven fabrics. Further, the promoters have more than three decades of experience in the industry. The promoter's experience, their strong understanding of local market dynamics, and healthy relations with suppliers and customers will benefit the company going forward, resulting in steady growth in the scale of operations.

- **Strong business risk profile buoyed by backward integration**

The revenue of the group witnessed a CAGR growth of 17.98% to Rs. 506.65 Cr in FY2023 from Rs.370.97 Cr in FY2021 on account of boost in demand in the industry. Further, the group has already achieved a revenue of Rs.338.81 Cr in 8MFY2024. The operating margin increased to 10.17 per cent in FY2023 from 9.98 per cent in FY2022, due to increase in average realization of the products. Again, the PAT margin of the group increased to 4.01 per cent in FY2023 from 3.49 per cent in FY2022. In addition to this, backward integration into the manufacturing of PET chips provides the group with a better quality of raw materials, at a lower cost with ease of access.

- **Efficient working capital management**



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The working capital management of the group is efficient marked by the comfortable operating cycle of the group which stood at 89 days as on 31st March 2023 as compared to 76 days as on 31st March 2022. The operating cycle is predominantly driven by the low debtor and inventory level during the same period. The debtor period stood at 57 days as on 31st March 2023 as compared to 39 days in 31st March 2022. Further, the inventory holding stood at 65 days as on 31st March 2023 as compared to 61 days as on 31st March 2022. Going forward, the working capital management of the group will remain at similar levels as evident from the efficient collection mechanism and low inventory level.

Key Rating Weaknesses

- **Moderate financial risk profile arising from ongoing capacity expansion**

The group has a moderate capital structure. The adjusted tangible net worth (ATNW) of the group decreased to Rs.129.32 Cr as on March 31, 2023, from Rs.138.13 Cr as on March 31, 2022 due to increase in investment in group companies. The unsecured loan of Rs.22.03 Cr has been considered as quasi equity as the same has been subordinated to bank's exposure. Gearing of the group stood moderate at 1.41x times as on March 31, 2023, as against 0.74x as on March 31, 2022. The Adjusted Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 1.94x as on March 31, 2023, as against 1.18x as on March 31, 2022. The debt protection metrics of the group stood comfortable marked by Interest Coverage Ratio at 5.18x as on March 31, 2023, and Debt Service Coverage Ratio at 1.76x as on March 31, 2023. The total debt/EBITDA stood high at 3.53x as on March 31, 2023.

The group is executing a capex of ~Rs. 135.92 Cr for expansion of its existing plant capacity along with the introduction of new line of product. The proposed capex will be financed by mix of term loan and unsecured loan. The term loan is estimated to be Rs. 101.73 Cr and balance are expected to be of unsecured loan. COD of some of the projects are already achieved and the expected COD of the final project is on June 2024. Although the ongoing brownfield capacity expansion of the Pashupati group is expected to strengthen the combined operational profile, it is exposed to execution and stabilisation risks in the near term. Its ability to get execute the capex in a timely manner and ensure healthy scale-up of operations, will remain crucial for its return and coverage metrics, going forward. With respect to the project execution risks, Infomerics draws comfort from the company's demonstrated track record of successful implementation and ramp-up of the past capacity expansions.



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- **Susceptibility of profitability to volatility in raw material price**

The price of plastics and related products, which are the primary raw material for the group is volatile in nature on account of being a crude oil derivative due to which the profitability margins of the group are susceptible to the fluctuations in raw material prices. However, the group also has long term contracts with their suppliers which allows them to mitigate the price fluctuation to some extent. The group ultimately passes on the price risk to their customers.

- **Intense competition from both large and unorganised sector**

The business environment remains competitive, given the fragmented and unorganised industry structure for the polyester staple fibre (PSF), PET chips and packaging industry. Despite having a well-established position, Pashupati group remains exposed to stiff competition from other recognised players in the PSF, PET chips and packaging industry.

Analytical Approach: Combined

For arriving at the ratings, Infomerics has combined the financial risk profiles of Pashupati Laminators Private Limited (PLPL), Pashupati Polytex Private Limited (PPPL), Pashupati Extrusion Private Limited (PEPL) and Shree Ram Polymers together referred as Pashupati Group. The combination is on account of common management, shareholding pattern along with operational and financial linkages and cash flow fungibility among the companies. The list of companies is given in Annexure 2.

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

Liquidity – Adequate

The group will maintain adequate liquidity position going forward due to consistently increased accruals. The steady net cash accruals stood at Rs.34.54 Cr as on March 31, 2023 as against long term debt repayment of Rs.16.48 Cr over the same period. The cash and bank balances of the group stood at Rs.5.12 Cr as on March 31, 2023. Further, the current ratio stood comfortable at 1.46x as on March 31, 2023 and the Quick Ratio also stood weak at 0.90x as on March 31, 2023. Further, the average fund-based limit utilisation remains high at around



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85 per cent over the twelve months ended December 2023. There have been no instances of overdrawing. Going forward, the group is likely to maintain adequate liquidity position supported by steady accruals.

About the Company

Incorporated in the year 2015, with an installed capacity of 10800 TPA as on 31st March 2023, PEPL is into manufacturing of rPET chips from post-industrial and post-consumer plastic using the partial chemical recycling. These pet chips manufactured by PEPL are used as raw material by PPPL and can be used as raw material in PLPL.

About the Group

Pashupati Group was created in the year 2007. The group, which includes Pashupati Extrusion Private Limited, Pashupati Laminators Private Limited and Pashupati Polytex Private Limited are engaged in the manufacturing of Woven fabrics and Bags, Recycled Polyester Staple Fibre, Synthetic yarns, Master Batches and Polyester Chips. The manufacturing units of all the three companies are located in Kashipur, Uttarakhand with a combined installed capacity of 77100 TPA. The group is also engaged in recycling of PET Bottles, boasting the ability to recycle over 1 crore bottles per day, these bottles are converted into chips which are used in various other applications by other industries. The group is engaged in the manufacturing of PP and HDPE Bags and provides diversified packaging solutions to their customers. All the three entities have operational synergies among them, Pashupati Polytex is into the business of manufacturing of Recycled Polyester Staple Fibre from pet chips and waste plastic bottles. Pashupati Laminators is into the manufacturing of polyester fabric which is used in making of non-woven sacks and also in the manufacturing sacks. Pashupati Extrusion is into manufacturing of pet chips from waste plastic. These pet chips manufactured by Extrusion are used as raw material by Pashupati Polytex. Pashupati Extrusion which has started operations in FY18 has been set up as backward integration for these companies.

Financials: Combined

(Rs. crore)

For the year ended* / As On	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	463.79	506.65
EBITDA	46.29	51.51



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For the year ended* / As On	31-03-2022	31-03-2023
PAT	16.18	20.38
Total Debt	101.82	181.77
Adjusted Tangible Net worth	138.13	129.32
EBITDA Margin (%)	9.98	10.17
PAT Margin (%)	3.49	4.01
Overall Gearing Ratio on Net Adjusted Tangible Net Worth (x)	0.74	1.41

*Classification as per Infomerics' standards.

Financials: Standalone

(Rs. crore)

For the year ended* / As On	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	39.85	66.55
EBITDA	8.00	12.52
PAT	3.79	6.88
Total Debt	13.44	34.23
Adjusted Tangible Net worth	26.67	34.32
EBITDA Margin (%)	20.09	18.81
PAT Margin (%)	9.49	10.31
Overall Gearing Ratio on Net Adjusted Tangible Net Worth (x)	0.50	1.00

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23		Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
					February 13, 2023	September 28, 2022	August 02, 2021	
1.	Term Loans	Long Term	50.43	IVR BBB/ Stable	IVR BBB/ Stable	IVR BB+ ISSUER NOT COOPERATING*	IVR BBB/ Stable	-
2.	GECL Loans	Long Term	2.25	IVR BBB/ Stable	IVR BBB/ Stable	-	-	-
3.	Cash Credit	Long Term	15.00	IVR BBB/ Stable	IVR BBB/ Stable	IVR BB+ ISSUER NOT COOPERATING*	IVR BBB/ Stable	-
4.	Proposed Cash Credit	Long Term	2.34	IVR BBB/ Stable	-	-	-	-



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Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23		Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
					February 13, 2023	September 28, 2022	August 02, 2021	
5.	Bank Guarantee	Short Term	2.02	IVR A3+	IVR A3+	IVR A4+ ISSUER NOT COOPERATING*	IVR A3+	-
6.	Letter of Credit	Short Term	4.00	IVR A3+	IVR A3+	IVR A4+ ISSUER NOT COOPERATING*	IVR A3+	-
7.	Proposed Letter of Credit	Short Term	3.00	IVR A3+	-	-	-	-

*Issuer did not cooperate based on best available information

Name and Contact Details of the Rating Analyst:

Name: Kaustav Saha Tel: (033) 48033621 Email: kaustav.saha@infomerics.com	Name: Sandeep Khaitan Tel: (033) 48033621 Email: sandeep.khaitan@infomerics.com
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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan-1	-	-	FY 2025	0.52	IVR BBB/ Stable
Term Loan-2	-	-	FY 2025	0.79	IVR BBB/ Stable
Term Loan-3	-	-	FY 2025	1.12	IVR BBB/ Stable
Term Loan-4	-	-	FY 2031	48.00	IVR BBB/ Stable
GECL – 1	-	-	FY 2024	0.56	IVR BBB/ Stable
GECL – 2	-	-	FY 2026	1.69	IVR BBB/ Stable
Cash Credit	-	-	-	15.00	IVR BBB/ Stable
Proposed Cash Credit				2.34	IVR BBB/ Stable
Bank Guarantee				2.02	IVR A3+
Letter of Credit				4.00	IVR A3+
Proposed Letter of Credit				3.00	IVR A3+

Annexure 2: List of companies considered for consolidated analysis:

Name of the Company	Combining Approach
Pashupati Excrusion Private Limited	Full Combining
Pashupati Laminators Private Limited	Full Combining
Pashupati Polytex Private Limited	Full Combining
Shree Ram Polymers	Full Combining

Annexure 3: Facility wise lender details: <https://www.infomerics.com/admin/prfiles/Len-Pashupati-Excrusion-11032024.pdf>



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Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

