



## Press Release

### Yash Pigments Limited (Erstwhile Yash Pigments LLP)

July 02, 2024

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Fund Based Facilities – Cash Credit	325.00 (Enhanced from Rs.204.00 crore)	IVR BBB+/Stable (IVR Triple B Plus with Stable Outlook)	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Upgraded & Assigned	Simple
Long Term Fund Based Facilities – Term Loan	46.28 (Enhanced from Rs.16.39 crore)	IVR BBB+/Stable (IVR Triple B Plus with Stable Outlook)	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Upgraded & Assigned	Simple
Short Term Non Fund Based Facilities – Letter of Credit	30.00	IVR A2 (IVR A Two)	-	Assigned	Simple
Short Term Non Fund Based Facilities – Forward Contract	15.00	IVR A2 (IVR A Two)	-	Assigned	Simple
Short Term Fund Based Facilities – Bill Discounting	0.00 (Previously rated amount Rs.2.00 crore)	-	IVR A3+ (IVR A Three Plus)	Withdrawn	Simple
<b>Total</b>	<b>416.28</b> <b>(Rupees four hundred and sixteen crore and twenty eight lakh only)</b>				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

#### Detailed Rationale

Infomerics Ratings has upgraded/ assigned its rating to the Bank facilities of Yash Pigments Limited (YPL) factors in improvement in scale of operations and profitability, comfortable working capital cycle and moderate financial risk profile, debt funded capex associated with the benefits of backward integration. These strengths are further underpinned by the extensive experience of the promoters in lead industry and reputed clientele. The ratings are, however, constrained by exposure to regulatory risks and intense competition and susceptibility of margins to raw material price volatility.

The rating for Rs.2.00 crore term loan has been withdrawn based on the client request and receiving of 'No Due Certificate' from the banker. The rating is withdrawn in line with 'Infomerics' policy on withdrawal.

#### Key Rating Sensitivities:



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### Upward Factors

- Significant & Sustained growth in scale of operation and profitability leading to improvement in debt protection metrics & TOL/TNW below 2.00x
- Effective working capital management leading to improvement in operating cycle and liquidity

### Downward Factors

- Decline in operating income and/or profitability impacting the debt protection metrics & TOL/TNW above 3.00x
- Elongation in the operating cycle impacting the liquidity
- Any time or cost overrun in the planned debt funded capex

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Extensive experience of the promoters in lead industry**

Promoter of the company Mr. Rajesh Bansal is the managing director of Yash Pigments Limited and has vast experience of more than two decades in the lead industry and carries established relationships with suppliers and customers. YPL has managed to expand its business in southern India, mainly in Telangana, Andhra Pradesh and Karnataka.

- **Reputed clientele**

Yash Pigments Limited sells its products to reputed customers including HBL Power Systems Limited, Nile Limited, Chloride Metals Limited and Pandy Oxides & Chemicals Limited among others and has a long- standing relationship with its customers reflecting in repeated and continuous orders flow. However, the company is exposed to customers concentration risk as the top 5 customers contributed around 68% of total sales of the company during FY24 as compared to around 74% in FY23. Infomerics believes that extensive experience of the promoters along with the long-standing relationship with customers helping the company in bagging repeated orders from its existing reputed clientele.

- **Improving scale of operations and profitability**



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The company total operating income grew substantial over the years and further improved to Rs.1,239.14 Cr in FY24 (Provisional.) (refers to period April 1<sup>st</sup>, 2023, to Mar 31<sup>st</sup>, 2024) from Rs. 925.61 Crore in FY23 (Audited) (refers to period April 1<sup>st</sup>, 2022, to Mar 31<sup>st</sup>, 2023). The growth is attributable towards increasing demand in end user industry leading to increase in demand of lead alloys, pure lead and oxide etc. Further, the company's overall installed capacity increased to 84,000 MTPA in FY24 from 55,000 MTPA in FY23 which contributed in substantial expansion of its business operations. The EBITDA margins of the firm stood at 7.01% in FY24 against 5.49% in FY23. The improvement in EBITDA margin during the year is attributable to benefits of economies of scale and increased volume sales. The PAT margins in FY24 stood at 2.81% in comparison to 2.04% in FY23. Infomerics believes that with the enhanced capacity the company's revenue is expected to improve and with the ongoing capex related to smelting unit as a part of backward integration would further improve the revenue and profitability margin of the company.

- **Comfortable operating cycle**

YPL procures the raw material from distributors/traders availing credit period of less than 15 days generally. The inventory holding period is around 25-35 days as company procures input material backed by orders from customers and due to firm's expertise in lead purification entire manufacturing process time remains moderate at around 10 to 20 days only. During FY24, average collection period stood at 34 days (FY23: 27 days). Thus, working capital cycle days is comfortable around 78 days in FY24 and 60 days in FY23. The marginal increase in the operating cycle is due to increase in inventory holding period and collection period in FY24.

- **Moderate financial risk profile**

The firm's financial risk profile is moderately comfortable, marked by a comfortable net worth, moderate gearing along with comfortable debt protection metrics. The tangible net worth of the firm stood at Rs.137.14 crore as on March 31, 2024 as against Rs.83.40 crore as on March 31, 2023. The improvement is on account of moderate accretion of net profit in the reserves during the period. The gearing level stood 2.19x as on March 31, 2024 as against 2.59x as on March 31, 2023, the improvement is on account of increase in networth albeit increase in total debt. TOL/TNW (Total outside liabilities/Total net worth) improved marginally and stood at 2.51 times as on March 31, 2024 against and stood at 2.98 times



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as on March 31, 2023. Infomerics believes that the financial risk profile of the company is expected to improve in the near future on account of benefit arising from the completed and ongoing capex.

- **Debt funded capex associated with benefits of backward integration**

As part of the company's backward integration strategy to supply raw materials to its manufacturing units, YPL is currently in the process of setting up a battery smelting unit having output capacity of 18,000 MT per annum thereby partially reducing its raw material cost as well as dependency on suppliers while augmenting the quality of raw material. The project cost for setting up of the plant is Rs.56.62 crore out of which the promoters margin money of Rs. 20.62 crore and term loan of Rs.36.00 crore. During FY24, the promoters has infused Rs.20.74 crore, for the said capex plan. The commercial operations are expected to start from December 2024. Infomerics considers the completion of the project without time and cost overrun will remain as key monitorable.

### Key Rating Weaknesses

- **Exposure to regulatory risks and intense competition**

The domestic lead alloy manufacturing industry is intensely competitive with the presence of many organized & unorganized players. Intense competition exerts pricing pressure on the firm. Further, the firm is also exposed to regulatory risks.

- **Susceptibility of margins to raw material price volatility**

Being a lead recycler, the company's profitability margins are exposed to volatility in raw material prices constituting around 95 to 97% of total cost. The prices of RM and remelted lead are linked to the prevailing London Metal Exchange (LME), adjusted for degree of value addition on the final metal sold. However, the firm mitigates this risk by choosing the most favourable option pricing.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies.](#)



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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Policy on withdrawal of ratings](#)

### **Liquidity – Adequate**

The liquidity draws comfort on account of the steady gross cash accruals of YPL, which stood at Rs. 37.29 crore in FY24 [FY23: Rs. 20.86 Crore] as against long term debt repayment during the same periods. The current ratio stood comfortable at 1.30 times as on March 31, 2024. The overall average fund based working capital utilisation for the last 12 months ended May 2024 stood at ~ 89%. The cash and bank balances of the company stood at Rs.0.21 Crore as on March 31, 2024.

### **About the Company**

Started operation as Yash Industries, further converted to LLP with effect from April, 2018. Subsequently converted into Public Limited Company in the name of Yash Pigments Limited with effect from September 2023. Yash pigments Limited is situated in Hyderabad, Telangana is basically engaged in manufacturing of pure lead, sub-oxide, selenium lead alloys, and lead oxides and further also carries out smelting of lead ore / lead concentrate / lead battery scrap to produce secondary lead metal, which is further transformed into pure lead, lead-antimony, lead- selenium alloy, lead oxides (lead sub-oxide & red lead). which are used in manufacturing of batteries, rolled extrusions, pigments used in paints, etc. the company procures raw material from domestic as well as international markets. The current production capacity of the Company for lead is 84,000 MTPA.



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### Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	925.61	1239.14
EBITDA	50.79	86.83
PAT	18.93	34.79
Total Debt	213.51	300.08
Tangible Net Worth	82.36	137.14
EBITDA Margin (%)	5.49	7.01
PAT Margin (%)	2.04	2.81
Overall Gearing Ratio (x)	2.59	2.19
Interest Coverage (x)	2.62	2.46

\* Classification as per Infomerics' standards.

**Status of non-cooperation with previous CRA: NA**

**Any other information: NA**

### Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (2024-25)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24		Date(s) & Rating(s) assigned in in 2022-23	
					(September 14, 2023)	(June 17, 2023)	(June 30, 2022)	(June 17, 2022)
1.	Fund Based Bank Facilities – Cash Credit	Long Term	325.00	IVR BBB+/Stable	IVR BBB/Stable	IVR BBB/Stable	IVR BBB-/Stable	-
2.	Fund Based Bank Facilities – Term Loans	Long Term	46.28	IVR BBB+/Stable	IVR BBB/Stable	IVR BBB/Stable	IVR BBB-/Stable	IVR BBB-/Stable
3.	Short Term Non Fund Based Facilities – Letter of Credit	Short Term	30.00	IVR A2	-	-	-	-
4.	Short Term Non Fund Based Facilities – Forward Contract	Short Term	15.00	IVR A2	-	-	-	-
5.	Short Term Fund Based Facilities – Bill Discounting	Short Term	0.00	Withdrawn	IVR A3+	IVR A3+	IVR A3	-



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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.

For more information and definition of ratings please visit [www.infomerics.com](http://www.infomerics.com).

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### Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	-	325.00	IVR BBB+/Stable
Term Loans	-	-	-	Up to March 2029	46.28	IVR BBB+/Stable
Letter of Credit	-	-	-	-	30.00	IVR A2
Forward Contract	-	-	-	-	15.00	IVR A2

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-YashPigments-july24.pdf>

**Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable**

**Annexure 4: List of companies considered for consolidated/Combined analysis: 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](http://www.infomerics.com).