



**Press Release**  
**PAN SYNTHETICS PRIVATE LIMITED**  
**June 09, 2023**  
**Rating Assigned**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	63.12	ACUITE BBB-   Stable   Assigned	-
Bank Loan Ratings	88.00	-	ACUITE A3+   Assigned
<b>Total Outstanding Quantum (Rs. Cr)</b>	151.12	-	-

**Rating Rationale**

Acuite has assigned its long-term rating of '**ACUITE BBB-**' (read as **ACUITE Triple B minus**) and short term rating of '**ACUITE A3+(read as ACUITE A three plus)**' on the Rs. 151.12 crore bank facilities of PAN Synthetics Private Limited(PSPL). The outlook is '**Stable**'.

**Rationale for rating assigned**

The rating assigned takes into account the extensive experience of the promoters and their established track record of operations for more than two and a half decades in the trading of plastic products, polymers, and flexible packing films. The rating also factors in the group's healthy business performance, marked by an improvement in revenues to Rs. 970.25 crore in FY23 (provisional) compared to Rs. 694.08 crore in FY22 and Rs. 441.47 crore in FY21. The improvement is supported by the group's established relationships with suppliers and customers, a favourable revenue mix, and a diversified customer base. The rating is, however, constrained by an average financial risk profile marked by high leverage ratios and the highly commoditized and fragmented nature of the plastic industry, resulting in intense competition.

**About Company**

Pan Synthetics Private Limited (PSPL) started its operations in 1995 and engaged in the trading of polymers and flexible packaging films for various products such as films, foil, granules, and resin. The company is currently promoted by Mr. Prem Jain, Ms. Pramila Minni, Mr. Tanmayy Minni, and Ms. Shejal Tanmayy Minni as its directors. The company caters to industries such as FMCG, textiles, industrial packing, construction, automotive, and agriculture. It operates from its registered office in Bangalore and has a customer presence across India.

**About the Group**

PAN Group (PG) consists of three companies, namely PAN Synthetics Private Limited, Ganapati Fishing Lines Private Limited (GFPL), and Sri Narayani Plastic Private Limited (SNPPL). GSPL was incorporated in 1988 and is engaged in the trading of flexible packaging films like polyester, BOPP films, aluminium foil, and other polymers, primarily catering to the needs of the FMCG and textile industries. PSPL was incorporated in 1995 and is engaged in the trading of flexible packaging films like polyester, BOPP films, aluminium foil, and other polymers, primarily catering to the needs of the retail and FCMG sectors.

## Analytical Approach

### Extent of Consolidation

- Full Consolidation

### Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has consolidated the business and financial risk profiles of PAN synthetic private ltd(PSPL), Ganapati fishing lines private limited(GFPL) and Sri Narayani plastic private ltd(SNPPL) together referred as PAN group(PG) or group. The consolidation is in the view of common management, similar line of business and financial linkages between entities. Extent of consolidation: Full

### Key Rating Drivers

#### Strengths

##### **Experienced management and an established track record of operations**

The group has more than two and a half decades of experience in the trading of plastic products, polymers, and flexible packing films. The group is currently managed by Mr. Prem Jain, Mrs. Premila Minni, Mr. Tanmayy Minni, and Mrs. Shejal Tanmayya Minni. The extensive experience of promoters has helped the group establish long-term relationships with its customers and suppliers for repeat orders. The group's customers include companies in the FMCG, textile, industrial packing, construction, automotive, and agriculture sectors. PAN Group procures a large variety of polymers and flexi packing products manufactured by reputed suppliers and trades them to various customers as per their requirements with the help of its distribution centres across India. Major products of trade for the group include polyester films, CPP films, BOPP films, aluminium foils, various types of polyethylene granules, and polypropylene granules.

Acuite believes that PG may continue to benefit from its established track record of operations and longstanding relationships with its customers and suppliers.

##### **Stable business profile with low geographical and customer concentration risk**

The group engaged in the trading of products including polyester films, CPP films, BOPP films, aluminium foils, various types of polyethylene granules, and polypropylene granules. The group has various distribution centres across India and is diversified across various regions. The diversified distribution mechanism of the group has helped them register healthy growth in revenue from operations to Rs. 970.25 crore in FY23 (provisional), compared to Rs. 694.08 crore in FY22 and Rs. 441.47 crore in FY21. Also, the group caters to various clients across different industries, such as FMCG, textile, industrial packing, construction, automotive, and agriculture sectors, among others. Acuite believes that the business profile of the group will continue to remain healthy on account of its diversified distribution centres and clients across the country and industries.

##### **Moderate working capital management**

The Group's working capital operations are moderate, as reflected by its improved Gross Current Asset (GCA) days of 96 days for FY22 as against 138 days for FY21. The inventory days ranged between 21 and 41 days, and the debtor's days ranged between 47 and 67 days, during the last three years ending FY22. To support the working capital, the group stretched the creditors to an extent of about 12–24 days during the last three years, ending in FY22. Furthermore, the average working capital limit utilisation remains moderate at 61.60 percent in the past 12 months ended March 2023. Acuite believes that the working capital management of the group will remain a key rating sensitivity over the medium term.

#### Weaknesses

##### **Average financial risk profile**

The financial risk profile of the group is average, marked by moderate net worth, high leverage ratios, and comfortable debt protection matrices. The group's net worth stood at

Rs. 77.91 crore as of March 31, 2022, as against Rs. 67.25 crore as of March 31, 2021. The total debt of Rs. 111.94 crore as of March 31, 2022, consists of Rs. 21.88 crore of term loans, Rs. 8.23 crore of unsecured loans from partners, a working capital loan of Rs. 78.26 crore, and current maturities of long-term debt of Rs. 3.56 crore. The gearing (debt/equity) of the group remains high at 1.44 times as of March 31, 2022, compared to 1.49 times in the same period last year. Furthermore, the debt-to-EBITDA ratio of the group also remains high at 5.77 times for FY22, compared against 7.38 times for FY21. However, the debt protection matrices remain comfortable, marked by an interest coverage ratio of 5.13 times and a debt service coverage ratio of 2.79 times for FY22. The ratio of total outside liabilities to tangible net worth stood at 1.82 times for FY2022 as against 2.10 times in FY2021.

Acuité believes that the improvement in the financial risk profile of the group going forward will remain a key rating sensitivity.

### **Thin profitability margins**

The group's operating profit margin remained thin at 2.60%–2.68% for the last three years ended March 31, 2023 (provisional) due to the trading nature of the business. Also, the margins remain susceptible to fluctuations in traded goods prices. The domestic plastic producers are substantially dependent on imports of petroleum products, and, hence, any supply-side issue could have a material impact on trading operations and the profitability of the group.

### **Susceptibility to cyclical in the plastic industry and end-user industry**

The domestic plastic sector is characterised by demand cyclical, volatility in raw material and metal prices, high regulatory risk, and the risk of imports. Group operates in the cyclical plastic industry, thus making it vulnerable to downturns in industry demand, leading to declines in realisations and profitability. Moreover, the bulk of its revenue is derived from cyclical domestic end-use industries; demand depends on economic growth and consumer sentiments, and thus any decline in demand can also have an adverse impact on sales and profitability for the group. Demand for plastic products depends on the level of construction and infrastructure activities and any movement in economic cycles. Furthermore, the plastic industry remains exposed to global crude oil prices. While the cost-efficient and integrated domestic operations of the company partially cushion profitability against cyclical downturns, it will remain exposed to inherent price and demand volatility in the plastic industry.

### **Rating Sensitivities**

- Significant improvement in scale of operations while maintaining profitability margins
- Sustainable improvement in Profitability, Leverage and Solvency position of the group
- Sustainable improvement in Gross current assets (GCA) days
- Any further deterioration in working capital management leading to deterioration in financial risk profile and liquidity

### **Material Covenants**

None

### **Liquidity Position: Adequate**

The liquidity position of the group remains adequate, marked by adequate net cash accruals and moderate working capital utilisation. The net cash accruals of the group stood at 12.02 crore in FY22 against matured debt obligations of Rs. 3.56 crore during the same period. The cash accruals of the group are estimated to remain in the range of Rs. 15–18 crore during the 2024–25 period, while its repayment obligation is estimated to be around Rs. 8.80–7.20 crore during the same period. The current ratio of the group stood at 1.69 times, and cash and bank balances stood at 13.68 crore as of March 31, 2022. The liquidity is also supported by

moderate utilisation of its working capital limits, which are utilised on average at 61.60 percent in the last 12 months ending March 2023. Acuité believes that the liquidity of the group is likely to remain adequate over the medium term on account of adequate cash accrual and no major large debt capex plans over the medium term.

### **Outlook:**

Acuité believes that PG will maintain 'Stable' outlook over the medium term due to extensive experience of its promoters, healthy growth in sales, healthy financial risk profile and efficient working capital management. The rating may be upgraded if the company registers expected or higher-than expected growth in revenues and profitability. Conversely, the outlook may be revised to 'negative' in case of company's inability to achieve the expected increase in revenue and profitability or deterioration in overall financial risk profile.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	694.08	441.47
PAT	Rs. Cr.	10.79	5.79
PAT Margin	(%)	1.56	1.31
Total Debt/Tangible Net Worth	Times	1.44	1.49
PBDIT/Interest	Times	5.13	2.98

### Status of non-cooperation with previous CRA (if applicable)

ICRA vide its press release dated 14.04.2022, had downgraded the company to ICRA B+/Stable/A4; Issuer Not Cooperating.

### Any Other Information

None

### Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>

### Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

### Rating History :

Not Applicable

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indusind Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE BBB-   Stable   Assigned
HSBC	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	28.00	ACUITE BBB-   Stable   Assigned
Standard Chartered Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A3+   Assigned
Kotak Mahindra Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE A3+   Assigned
Indusind Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	28.00	ACUITE A3+   Assigned
Indusind Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.24	ACUITE BBB-   Stable   Assigned
Indusind Bank Ltd	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	9.88	ACUITE BBB-   Stable   Assigned
HSBC	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	5.00	ACUITE BBB-   Stable   Assigned

### \*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt Support)

1. Sri Narayani plastic private limited
2. Ganapati fishing lines private limited

## Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>  Gnanreddy Rakesh Reddy Senior Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:rakesh.reddy@acuite.in">rakesh.reddy@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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