

Rating Rationale

December 28, 2022 | Mumbai

Polyhose India Private Limited

Rating upgraded to 'CRISIL A/Stable'

Rating Action

Total Bank Loan Facilities Rated	Rs.80 Crore
Long Term Rating	CRISIL A/Stable (Upgraded from 'CRISIL A-/Stable')

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has upgraded its rating on the long-term bank facilities of Polyhose India Private Limited to '**CRISIL A/Stable**' from '**CRISIL A-/Stable**'.

The upgrade reflects sustained improvement in PIPL's credit risk profile supported by healthy operating performance. Revenue stood at Rs. 610 crore in fiscal 2022, higher than revenue of Rs.408 crore in fiscal 2021 and more than earlier expectation. This increase was driven by higher sales volume and better sales price realisation. Revenue should further grow by over 20% in fiscal 2023. Operating margin is expected to remain moderate at 12-14% over medium term. Financial risk profile continue to remain healthy with low gearing and comfortable debt protection metrics.

The rating continues to reflect PIPL's established position in the global market. The rating also factors in strong financial risk profile marked by healthy capital structure and debt protection metrics. These strengths are partially offset by susceptibility to changes in technology, volatility in raw material prices, and cyclical in the end-user industry.

Key Rating Drivers & Detailed Description

Strengths:

Established market position: PIPL has an established market position in thermoplastic hoses segment. PIPL, set up as an export-oriented unit in 1996, has, over the years, gained strong domain experience in the hose manufacturing segment, particularly in the thermoplastic hoses division. The company operates under the brand Polyhose and has a well-entrenched geographical reach across 26 countries, and established relations with wholesalers, distributors, and suppliers for more than a decade now. This has also enabled the company to grow at a compounded annual growth rate of over 25 percent over the last 3 years ended fiscal 2022. Further the extensive experience of the promoters will continue to support the business risk profile.

Strong financial risk profile: Financial risk profile continues to be strong marked by gearing of 0.21 time as on March 31, 2022, and healthy debt protection metrics, with interest coverage and net cash accrual to adjusted debt ratios of 39 times and 0.54 time respectively in fiscal 2022 and estimated at over 30 times and 0.6 time respectively for fiscal 2023. The company does not have any major debt funded capex plans over the medium term and hence the financial risk profile is expected to remain strong over the medium term.

Weaknesses:

Susceptible to volatility in raw material prices: The company's major raw materials are crude derivatives. The prices of raw materials have been volatile exposing the company's profitability susceptible to movement in raw material prices which is seen in the profitability which has ranged between 10-20% over the last 5 years.

Susceptible to changes in technology and cyclical in end-user industry: PIPL's operating income is susceptible to both shifts in technology and to cyclical in the end-user industry. Thermoplastic hose manufacturing is both capital and technology intensive. PIPL will have to continuously adapt to technological changes and focus on new product offering to cater to changes in customer's preferences. Moreover, PIPL is exposed to cyclical in the end-user economies, such as the US and European countries, where it is heavily dependent on original equipment manufacturer (OEMs) and capital goods sector.

Liquidity: Strong

Liquidity continues to remain strong marked by a moderate bank limit utilisation and healthy cash accrual against no repayment obligations. The working capital limits has been utilised at an average of around 63 percent over the last twelve months through September 2022. Cash accrual is expected to be between Rs.70-80 crore in the near term, against which the company does not have any repayment obligations.

PIPL's investment and loans and advances extended to group companies stood at around Rs.105 crore as on March 31, 2022. Despite increasing investments in subsidiaries and affiliates, liquidity remains strong, supported by healthy accrual and moderate bank limit utilisation.

Outlook: Stable

CRISIL Ratings believes PIPL will continue to benefit over the medium term from its niche product offerings and healthy capital structure.

Rating Sensitivity factors

Upward factor

- Sustained improvement in revenue by over 30% with sustenance of profitability at 14%
- Sustenance of the healthy financial risk profile

Downward factor

- Decline in revenue or profitability of less than 10% leading to lower-than-expected accruals
- Increase in group company exposure leading to pressure on liquidity
- Further stretch in working capital requirements or large, unexpected debt funded capex plans leading to stretched liquidity

About the Company

PIPL was set up in 1996 by Mr Y Shabbir. It manufactures thermoplastic hoses and tubes and industrial and polyvinyl chloride hoses, which are used across diverse sectors such as automobiles, refineries, and power; the products also have beverage-dispensing applications. PIPL's day-to-day operations are managed by Mr Shabbir and his nephew, Mr Ali Asger.

Key Financial Indicators

Particulars	Unit	2022	2021
Revenue	Rs crore	618	408
Profit after tax (PAT)	Rs crore	51.31	72.03
PAT margin	%	8.3	17.7
Adjusted debt/adjusted networkth	Times	0.20	0.20
Interest coverage	Times	39.18	25.49

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings' complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

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Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs Cr)	Complexity level	Rating Assigned with Outlook
NA	Working Capital Facility	NA	NA	NA	80	NA	CRISIL A/Stable

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2022 (History)		2021		2020		2019		Start of 2019
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	80.0	CRISIL A/Stable		--	27-10-21	CRISIL A-/Stable	21-07-20	CRISIL A-/Stable	16-04-19	CRISIL A-/Stable	CRISIL A2+ / CRISIL A-/Stable

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Working Capital Facility	80	HDFC Bank Limited	CRISIL A/Stable

This Annexure has been updated on 13-Mar-2023 in line with the lender-wise facility details as on 24-Feb-2023 received from the rated entity.

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
CRISILs Criteria for rating short term debt
Understanding CRISILs Ratings and Rating Scales

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