

Petro Plast Industries Limited: Reaffirmed

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	15.00	SMERA BB/Stable (Reaffirmed)
Letter of Credit	50.00	SMERA A4+ (Reaffirmed)

SMERA has reaffirmed the ratings of '**SMERA BB**' (**read as SMERA double B**) and '**SMERA A4+**' (**read as SMERA A four plus**) on the above mentioned bank facilities of Petro Plast Industries Limited (PPIL). The outlook is '**Stable**'.

The ratings continue to derive comfort from the extensive industry experience of the directors, stable profit margins and moderate financial risk profile. Further, the ratings are supported by the favourable demand outlook for polymers. However, the ratings are constrained by the fall in revenue in the absence of Duty Entitlement Pass Book (DEPB) sales, stretched liquidity position and susceptibility of profit margins to fluctuation in raw material prices.

SMERA has consolidated the business and financial risk profiles of Petro Plast Industries Limited and B.B. Asia Impex Private Limited (B.B Asia) referred to as the Petro Group. The consolidation is in view of the common management, similarity in the business models and operational synergies.

Update

PPIL was established in 1979 as a partnership firm. It was converted to private limited in 1995 by Mr. Om Prakash Agarwal, Mr. Ajay Kumar Agarwal, Mr. Raj Kumar Agarwal and Mr. Amit Kumar Agarwal, Directors who possess around three decades of experience in the polymers and chemical trading business. The management has established relations with key suppliers of polymers, chemicals for over 10 years. The company has diversified customer base in Tamil Nadu, Andhra Pradesh and Pondicherry.

The group registered healthy growth in revenue during the period under study (FY2012-13 to FY2015-16) from Rs.213.09 crore in FY2014-15 to Rs.232.86 crore in FY2015-16 (provisional) and around Rs.70.09 crore from April to June 2016. The group registered EBIDTA margins of 4.97 per cent in FY2015-16 (provisional) compared to 4.81 per cent in FY2014-15. Additionally, PAT margins improved by 1.10 per cent in FY2015-16 (provisional) as compared to 0.69 per cent in FY2014-15. The financial risk profile continues to be moderate marked by ICR of 1.29 times and DSCR of 0.73 times as on March 31, 2016 (provisional) as against ICR of 1.29 times and DSCR of 0.98 times in the previous year. Further, the net worth stood at Rs.23.62 crore as on March 31, 2016 (Provisional) whereas it was Rs.20.99 crore in the previous year. The debt-equity ratio also improved to 1.92 times as on March 31, 2016 (provisional) from 2.31 times as on March 31, 2015.

Revenue declined in FY2015 due to government restrictions on DEPB (Duty Entitlement Pass book) incentives. Both the companies are exposed to fluctuations in raw material prices since they are linked to crude prices. Pricing flexibility of the company is also minimal due to the presence of several players in the industry. The working capital cycle has been in the range of 50-80 days during the period under study. The GCA days are high at around 245 as on March 31, 2016 (Provisional) as compared to around 220 days as on March 31, 2015.

Rating Sensitivity Factors

- Scaling up operations while sustaining profit margins
- Efficient working capital management

Outlook-Stable

SMERA believes that the company will continue to maintain a stable outlook and benefit over the medium term from the promoter's extensive experience in the polymer and chemical trading business. The outlook may be revised to 'Positive', if the company achieves increased revenue growth with sustained improvement in its profit margins along with effective working capital management. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenue and profit margins. Major deterioration in the company's capital structure on account of higher-than-expected working capital requirements may also entail a 'Negative' outlook.

Criteria applied to arrive at the ratings

- Trading Entities

About the Company

The Chennai-based Petro group comprises PPIL and B.B. Asia incorporated in 1995 and 2004 respectively. The group is promoted by Mr. Ajay Kumar Agrawal, Mr. Om Prakash Agrawal and others. It imports and trades in polymers and chemical products.

For FY2015-16, the consolidated profit after tax (PAT) has been Rs.2.56 crore (Provisional) on operating income of Rs.232.69 crore as compared to PAT of Rs.1.47 crore on operating income of Rs.1.47 crore for FY2014-15. On standalone basis, PPIL reported PAT of Rs.2.01 crore on operating income of Rs.168.08 crore for FY2015-16 (Provisional) as compared to PAT of Rs.1.29 crore on operating income of Rs.161.06 crore for the previous year.

Rating History

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
16 July, 2015	Cash Credit	15.00	SMERA BB (Assigned)	-	Stable
	Letter of Credit	50.00	-	SMERA A4+ (Assigned)	

Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in

ABOUT SMERA

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