

Himalyan Plastics Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	7.00	SMERA B+/Stable (Assigned)
Bank Guarantee	5.00	SMERA A4 (Assigned)

SMERA has assigned long-term rating of **'SMERA B+' (read as SMERA B plus)** and short term rating of **'SMERA A4' (read as SMERA A four)** on the Rs.12.00 crore bank facilities of Himalyan Plastics Limited (HPL). The outlook is **'Stable'**.

The ratings are constrained by the modest scale of operations and average financial risk profile marked by high gearing and moderate coverage indicators. The ratings also factor in the stretched working capital cycle and the highly competitive and fragmented pipe industry. However, the ratings draw support from the experienced promoters and reputed clientele.

The company has modest scale of operations of Rs.22.16 crore in FY2016 as compared to Rs.19.52 crore in FY2015. The average financial risk profile is marked by high gearing of 1.97 times in FY2016 as against 2.17 times in FY2015. The interest coverage ratio has been moderate at 1.36 times in FY2016 as compared to 1.30 times in the previous year. The profitability margins stand moderate at 1.13 per cent in FY2016 and 0.71 per cent in FY2015. The working capital cycle has been high at 160 days in FY2016 and 171 days in FY2015. Also, the company faces intense competition in the pipe industry.

However, the promoters, Mr. Madan Sharma, Mr. Ajay Sharma and Mr. Sridhar Kr. Bihara have more than two decades of experience in the industry. Besides, the company has a reputed clientele including Bharat Broadband Nigam Limited, Bharat Sanchar Nigam Limited (BSNL), Bharti Airtel and Railtel Corporation of India Ltd. Also, its suppliers comprise GAIL, Indian Oil Corporation and Reliance for procurement of plastic granules used as raw material for manufacturing of HDPE and MDPE pipes.

Rating Sensitivity Factors

- Scaling up of operations while managing working capital funds
- Improvement in the financial risk profile

Outlook-Stable

SMERA believes that the outlook of HPL will be stable owing to the long track record of operations and experienced management. The outlook may be revised to 'Positive' in case the company registers substantial growth in revenue and capital structure. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

HPL (the erstwhile Himalyan Plastics Private Limited) was incorporated in April 1980 at Solan, Himachal Pradesh. The company is engaged in the manufacture of HDPE Pipes, telecom ducts, MDPE pipes, duct pipes and sprinklers and has an installed capacity of 4680 tonnes per annum.

In FY2016, the company achieved Profit after Tax (PAT) of Rs.0.25 crore on operating income of Rs.22.16 crore as compared to PAT of Rs.0.14 crore on operating income of Rs.19.52 crore a year earlier. The net worth stood at Rs.4.51 crore in FY2016 as compared to Rs.4.26 crore a year earlier.

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ABOUT SMERA

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