

## Press Release

### HIMALYAN PLASTICS LIMITED

April 02, 2018

#### Rating Reaffirmed



<b>Total Bank Facilities Rated*</b>	Rs. 12.00 Cr.
<b>Long Term Rating</b>	SMERA B+ / Outlook: Stable
<b>Short Term Rating</b>	SMERA A4

\* Refer Annexure for details

#### Rating Rationale

SMERA has reaffirmed 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. The outlook is '**Stable**'.

Himalyan Plastic Limited (HPL), a unit of Himalyan Group of Industries was incorporated as a Private Limited Company in 1980 under the name of ?Himalyan Plastics Pvt Ltd?. Subsequently, HPL was converted into Public Limited Company in the year 2001. HPL is engaged in the manufacturing HDPE Pipes, HDPE telecom ducts for use as underground cable conduits, MDPE pipes and sprinklers.

#### Key Rating Drivers

##### Strengths

- **Long experience of promoters and long track of operation**

HPL, incorporated in 1988, has a long track of 28 years in the plastic industry. The promoters Mr. Madan Sharma, Mr. Ajay Sharma and Mr. Sridhar Kr. Bihara have more than two decades of experience in the plastic industry.

- **Reputed clientele**

The company has reputed customers like Reliance Jio Infocomm Ltd. (RJIL) Bharti Airtel Railtel Corporation of India Ltd. Bharat Sanchar Nigam Ltd. Bharat Broadband Network Limited Mahanagar Telephone Nigam Ltd. & other Private Telecommunication Network providers across the country. Also its suppliers comprises of GAIL Indian Oil Corporation and others.

##### Weaknesses

- **Average financial risk profile**

The financial risk profile of the company is marked by low networth high gearing and moderate interest coverage ratio. The tangible networth stood low at Rs 4.92 crore in FY2017 against Rs. 4.51 crore in FY2016. Gearing stood at 2.01 times in FY2017 against 1.97 times in FY2016. Interest Coverage (ICR) stood at 1.49 times in FY2017 against 1.40 times in FY2016. Total Debt of Rs. 9.89 crore in FY2017 mainly includes Short term working capital borrowings of Rs. 8.80 crore. Moreover the Net Cash Accruals to Total Debt (NCA/TD) stood at 0.05 times in FY2017.

- **Working Capital intensive operations**

The operations are working capital intensive marked by high Gross Current Asset (GCA) of 280 days in FY2017 which increased from 231 days in FY2016. The GCA days are mainly dominated by high debtor days of 183 days in FY2017 against 138 days in FY2016. The average cash credit utilisation for the past six months stood at ~90-95 percent. SMERA believes that efficient working capital management will be crucial for the company in order to maintain a stable credit profile.

- **Competitive and fragmented industry**

Plastic industry is a highly competitive industry due to low entry barriers which results in intense competition from both the organized as well as unorganized players in the industry.

### Analytical Approach

SMERA has considered the standalone business and financial risk profiles of HPL to arrive at the rating.

### Outlook: Stable

SMERA believes that outlook for HPL will remain stable over medium term on the account of management's experience in the same line of business. The outlook may be revised to Positive if the company achieves higher than expected growth in revenue and profitability while effectively managing its working capital cycle or improvement in the capital structure. Conversely the outlook may be revised to Negative in case of significant deterioration in the liquidity profile or financial risk profile.

### About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	23.75	21.54	19.52
EBITDA	Rs. Cr.	1.97	1.84	1.45
PAT	Rs. Cr.	0.32	0.25	0.14
EBITDA Margin	(%)	8.32	8.54	7.45
PAT Margin	(%)	1.37	1.17	0.71
ROCE	(%)	12.98	12.81	20.30
Total Debt/Tangible Net Worth	Times	2.01	1.97	2.17
PBDIT/Interest	Times	1.49	1.40	1.30
Total Debt/PBDIT	Times	4.82	4.62	6.00
Gross Current Assets (Days)	Days	280	231	286

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

Not Applicable

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

### Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
30-Dec-2016	Cash Credit	Long Term	INR 7	SMERA B+ / Stable
	Bank Guarantee	Short Term	INR 5	SMERA A4

### \*Annexure - Details of instruments rated

Name of the Facilities	Date of	Coupon	Maturity	Size of the Issue	Ratings/Outlook
------------------------	---------	--------	----------	-------------------	-----------------

SMERA Ratings Limited

Registered Office: 102, Sumer Plaza, Marol Maroshi Road, Marol, Andheri (East), Mumbai - 400 059

CIN: U74999MH2005PLC155683 | SEBI Permanent Registration No.: IN / CRA / 006 / 2011

	Issuance	Rate	Date	(Rs. Cr.)	
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.00	SMERA B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA A4

## Contacts

Analytical	Rating Desk
Suman Chowdhury President - SMERA Bond Ratings Tel: 022-67141107 <a href="mailto:suman.chowdhury@smera.in">suman.chowdhury@smera.in</a>	Varsha Bist Manager - Rating Desk Tel: 022-67141160 <a href="mailto:varsha.bist@smera.in">varsha.bist@smera.in</a>
Manmisha Sodhi Analyst - Rating Operations Tel: 022-67141133 <a href="mailto:Manmisha.Sodhi@smera.in">Manmisha.Sodhi@smera.in</a>	

## ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit [www.smera.in](http://www.smera.in).

**Disclaimer:** A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.smera.in](http://www.smera.in)) for the latest information on any instrument rated by SMERA.