

Press Release

HIMALYAN PLASTICS LIMITED

April 02, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	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
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SMERA Ratings Limited

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	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

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ABOUT SMERA

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