

Plato Industries Limited (PIL)

Plato Industries Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	3.45	SMERA B/Stable (Assigned)
Bank Guarantee	3.50	SMERA A4 (Assigned)

SMERA has assigned long-term rating of '**SMERA B**' (**read as SMERA B**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs.6.95 crore bank facilities of Plato Industries Limited (PIL). The outlook is '**Stable**'.

The ratings are constrained by the modest scale of operations and weak financial risk profile marked by high gearing and low coverage indicators. SMERA also notes the company's stretched working capital cycle and the highly competitive and fragmented pipe industry. However, the ratings draw support from the experienced promoters and reputed clientele.

PIL, incorporated in 1992 manufactures HDPE pipes, telecom ducts, MDPE pipes among others. The company's scale of operations is modest with fall in revenue to Rs.11.63 crore in FY2016 from Rs.13.75 crore in FY2015. The weak financial risk profile is marked by high gearing of 2.60 times in FY2016 as compared to 2.83 times in FY2015. The interest coverage ratio has been low at 1.33 times in FY2016 as against 1.29 times in the previous year. The profitability margins stand low at 0.88 percent in FY2016 as compared to 0.96 percent in FY2015. The working capital cycle is high at 264 days in FY2016 as compared to 173 days in FY2015. Also, the company faces intense competition in the pipe industry.

However, the promoters Mr. Gourav Sharma, Mr. S.R. Verma and Mr. D.R. Kaushik have more than two decades of experience in the pipe industry. Besides, the company's reputed clientele includes Reliance Jio Infocomm Ltd. (RJIL), Bharti Airtel and Raitel Corporation of India Ltd.

Rating Sensitivity Factors

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

Outlook-Stable

SMERA believes that the company's outlook will remain 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

PIL was incorporated on 14 February, 1992 at Parwanoo, 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 2200 tonnes per annum. The company caters to Bharat Broadband Network Limited, Bharat Sanchar Nigam Limited, Reliance, Bharti Airtel to name a few.

In FY2015-16, the company achieved Profit after Tax (PAT) of Rs.0.10 crore on operating income of Rs.11.63 crore as compared to PAT of Rs.0.13 crore on operating income of Rs.13.75 crore a year earlier. The net worth stood at Rs.3.73 crore in FY2015-16 as compared to Rs.3.64 crore a year earlier.

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ABOUT SMERA

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