

Press Release

Prince Multiplast Private Limited

December 19, 2018

Rating Downgraded



Total Bank Facilities Rated*	Rs. 29.50 Cr.
Long Term Rating	ACUITE B / Outlook: Stable (Downgraded from ACUITE BB-/Stable)
Short Term Rating	ACUITE A4 (Downgraded from ACUITE A4+)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded long-term rating of '**ACUITE B**' (read as **ACUITE B**) from '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) from '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs. 29.50 crore bank facilities of Prince Multiplast Private Limited (PMPL). The outlook is '**Stable**'.

PMPL and Prince Containers Private Limited (PCPL), part of the Prince Group were incorporated in 1997 and 1999, respectively. PMPL was promoted by Mr. Manish Mulchand Chheda, Mr. Arvind Shamji Chheda, Mr. Mulchand Shamji Chheda and others. The Daman-based company has 41.67 percent stake in PCPL as on 31 March, 2018. PMPL took over the business of PCPL from 1 July, 2017 to bring all businesses under a single entity. Going ahead, PCPL may enter into trading of polymers as opportunities come up. PMPL has capacity of 10000 MT per year. Prince Containers Private Limited (PCPL), incorporated in 1999, was promoted by the aforementioned promoters and is engaged in the manufacturing of blow moulded plastic containers.

Analytical Approach

Acuité has consolidated the business and financial risk profiles of Prince Multiplast Private Limited (PMPL) and Prince Containers Private Limited (PCPL) together referred to as the 'Prince Group'. The consolidation is in view of the common management, strong operational and financial linkages between the entities and common brand name 'Prince'. Extent of Consolidation : Full.

Key Rating Drivers

Strengths

• Experienced management

PMPL was incorporated in 1997 and PCPL in 1999 by Mr. Mulchand Shamji Chheda, Mr. Arvind Shamji Chheda and Mr. Sunder Mulchand Chheda. The promoters possess extensive experience in the plastic moulding industry.

• Moderate financial risk profile

The financial risk profile is moderate marked by moderate net worth and low gearing. The net worth of the company is moderate at around Rs.25.18 crore as on 31 March, 2018 as against Rs.29.02 crore as on 31 March, 2017. The deterioration in net worth is on account of decrease in revenue and profitability, leading to reduced accretion to reserves. The company has followed a conservative financial policy as reflected by peak gearing of 1.03 times over the last three years through 2017 -18. The gearing of the group is around 1.03 times as on March 31, 2018.

Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.83 times as on 31 March, 2018 as against 1.24 times as on 31 March, 2017. Interest Coverage Ratio (ICR) remained low at 0.18 times in FY2018 and 3.90 times in FY2017; this is on account of negative EBITDA of the group. Net Cash Accruals/Total Debt (NCA/TD) stood at negative 0.08 times as on 31 March, 2018 as against 0.27 times as on 31 March, 2017. Debt Service Coverage Ratio (DSCR) stood at 0.23 times for FY2018 as against 2.30 times in FY2017. Acuité believes that the financial risk profile of the group will continue to remain moderate over the medium term on account of its conservative financial policy.

Weaknesses

• Working capital intensive operations

The group's operations are working capital intensive marked by high Gross Current Assets (GCA) of 228 days in FY2018 compared to 184 days in FY2017. The GCA days are mainly dominated by high debtor days of 139 in FY2018 compared to 105 days in FY2017. The high debtor days are mainly due to high receivables in large container business which is the major revenue generating source. Acuite believes that efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

• Moderate scale of operations marked by uneven revenue trend

Despite being in operations since 1997, the Prince Group has moderate scale of operations marked by revenue of Rs.54.64 crore in FY2018 as against Rs.62.31 crore in FY2017 and Rs.70.81 crore in FY2016. For the period April to November 2018, the group booked revenue of Rs.50.00 crore. Further, the revenues are expected to improve in the near to medium term on account of increase in utilisation levels (current manufacturing facility) and additional revenue from pharmacy container packaging unit.

• Competitive and fragmented industry

The Prince Group operates in a highly fragmented plastic moulding industry with limited entry barriers wherein the presence of a large number of players in the unorganised sector limits the bargaining power with customers.

Outlook: Stable

Acuite believes that the Prince Group will maintain a 'Stable' outlook over the medium term owing to its promoters' extensive industry experience. The outlook may be revised to 'Positive' in case of sustainable improvement in the scale of operations while maintaining profitability and a comfortable financial risk profile. Conversely, the outlook may be revised to 'Negative' if the revenue and profitability decline or if the financial risk profile weakens because of a stretch in working capital cycle or large debt-funded capital expenditure undertaken by the company.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	54.64	62.31	70.81
EBITDA	Rs. Cr.	-1.04	2.18	2.94
PAT	Rs. Cr.	-3.83	3.26	1.16
EBITDA Margin	(%)	-1.90	3.50	4.15
PAT Margin	(%)	-7.01	5.23	1.64
ROCE	(%)	-2.30	12.05	11.07
Total Debt/Tangible Net Worth	Times	1.03	0.62	0.89
PBDIT/Interest	Times	0.18	3.90	2.64
Total Debt/PBDIT	Times	50.13	2.33	4.09
Gross Current Assets (Days)	Days	228	184	157

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
24-Nov-2017	Proposed Cash Credit	Long Term	10.00	ACUITE BB- / Stable (Assigned)
	Proposed Long Term Loan	Long Term	5.00	ACUITE BB- / Stable (Assigned)
	Proposed Letter of Credit	Short Term	14.50	ACUITE A4+ (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE B/ Stable (Downgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE B/ Stable (Downgraded)
Long Term Loan	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE B/ Stable (Downgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	14.50	ACUITE A4 (Downgraded)

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About Acuité Ratings & Research:

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