

Press Release

Prince Multiplast Private Limited

January 17, 2020

Rating Withdrawn



| | |
|-------------------------------------|--------------------------|
| Total Bank Facilities Rated* | Rs. 29.50 crore |
| Long Term Rating | ACUITE B (Withdrawn) |
| Short Term Rating | ACUITE A4 (Withdrawn) |

* Refer Annexure for details

Rating Rationale

Acuite has withdrawn the long term rating of '**ACUITE B**' (read as **ACUITE B**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the above mentioned bank facilities of Rs.29.50 crores for Prince Multiplast Private Limited (PMPL). The rating withdrawal is in accordance with the Acuite's policy on withdrawal of rating and on account of request received from the company and NOC received from the banker.

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, 2019. 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

Acuite 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'

Key Rating Drivers

Strengths

- **Established track record and 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 have extensive experience in the plastic moulding industry.

Weaknesses

- **Below average financial risk profile**

The financial risk profile is moderate marked by modest net worth and low gearing. The net worth of the company is modest at around Rs. 21.46 crore as on 31 March, 2019 as against Rs. 29.02 crore as on 31 March, 2018. The deterioration in net worth is on account of decrease in revenue and profitability, leading to reduced accretion to reserves. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.20 times as on 31 March, 2019 as against 1.84 times as on 31 March, 2018. Interest Coverage Ratio (ICR) remained low at 0.60 times in FY2019 and 0.18 times in FY2018; this is on account of negative EBITDA of the group. Net Cash Accruals/Total Debt (NCA/TD) stood at negative 0.06 times as on 31 March, 2019 as against negative 0.08 times as on 31 March, 2018. Debt Service Coverage Ratio (DSCR) stood at 0.25 times for FY2019 as against 0.23 times in FY2018.

• **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. 63.31 crore in FY2019, Rs. 54.64 crore in FY2018 and Rs. 62.31 crore in FY2017. 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 molding industry with limited entry barriers wherein the presence of a large number of players in the unorganized sector limits the bargaining power with customers.

Liquidity Position: Adequate

The company has adequate liquidity marked by current ratio of 1.23 times as on March 31, 2019. The company has working capital intensive operations marked by high GCA days of 206 days for FY2019 against 217 days in FY2018. The company maintains unencumbered cash and bank balances of Rs. 0.27 crore as on 31 March, 2019.

Material Covenants

None

Rating Sensitivities

Not Applicable

About the Rated Entity - Key Financials

| | Unit | FY19 (Actual) | FY18 (Actual) |
|-------------------------------|---------|---------------|---------------|
| Operating Income | Rs. Cr. | 63.31 | 54.64 |
| PAT | Rs. Cr. | (3.72) | (3.83) |
| PAT Margin | (%) | (5.87) | (1.90) |
| Total Debt/Tangible Net Worth | Times | 1.48 | 1.03 |
| PBDIT/Interest | Times | 0.60 | 0.18 |

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

Not Applicable

Any other information

Acuite is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Applicable Criteria

- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Application of Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-17.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 |
|-------------|----------------------------------|-----------|------------------|-------------------------------|
| 19-Dec-2018 | Proposed Long Term Bank Facility | Long Term | 7.50 | ACUITE B/ Stable (Downgraded) |
| | Cash Credit | Long Term | 6.00 | ACUITE B/ Stable (Downgraded) |

| | | | | |
|-------------|---------------------------|------------|-------|--------------------------------|
| 24-Nov-2017 | Long Term Loan | Short Term | 1.50 | ACUITE B/ Stable (Downgraded) |
| | Letter of Credit | Short Term | 14.50 | ACUITE A4 (Downgraded) |
| | 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 (Withdrawn) |
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 6.00 | ACUITE B (Withdrawn) |
| Long Term Loan | Not Applicable | Not Applicable | Not Applicable | 1.50 | ACUITE B (Withdrawn) |
| Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 14.50 | ACUITE A4 (Withdrawn) |

Contacts

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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