Press Release

Prince Containers Private Limited (PCPL)

24 November, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 23.93 Cr.
Long Term Rating	SMERA BB-/ Outlook: Stable
Short Term Rating	SMERA A4+

* *Refer Annexure for details*

Rating Rationale

SMERA has assigned long term rating of **'SMERA BB-' (read as SMERA double B minus)** and short term rating of **'SMERA A4+' (read as SMERA A four plus)** on the Rs. 23.93 crore bank facilities of Prince Containers Private Limited (PCPL). The outlook is **'Stable'**.

PCPL and Prince Multiplast Private Limited (PMPL), part of the Prince Group were incorporated in 1999 and 1997 respectively. PCPL was promoted by Mr. Mulchand Shamji Chheda, Mr. Arvind Shamji Chheda, Mr. Sunder Mulchand Chheda and others. The Daman-based company is engaged in the manufacturing of blow moulded plastic containers and has capacity of 10000 MT per year. The current utilisation is 50 percent.

Prince Multiplast Private Limited (PMPL), was incorporated in 1997. The company, promoted by the aforementioned promoters, has 41.67 percent stake in PCPL as on 31 March 2017. 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 per the opportunities.

Analytical approach:

SMERA 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

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 of the group is healthy marked by net worth of Rs. 29.55 crore as on 31 March, 2017 (Provisional) compared to Rs. 25.77 crore as on 31 March, 2016. The group's gearing stood at 0.61 times as on 31 March, 2017 (Provisional) as against 0.89 times as on 31 March, 2016. The debt of Rs. 17.92 crore mainly consists of term loans of Rs. 2.15 crore and working capital borrowings of Rs.15.55 crore as on 31 March, 2017 (Provisional). The Interest Coverage ratio (ICR) stood at 4.15 times in FY2017 (Provisional) compared to 2.64 times in FY2016. The Debt Service Coverage Ratio (DSCR) stood at 2.47 times in FY2017 (Provisional) as compared to 1.61 times in FY2016. SMERA expects the financial risk profile to deteriorate marginally in the near to medium term on account of debt funded capex plan for manufacturing of containers for packaging (new project) at a total project cost of around Rs. 10.00 crore.

Weaknesses

Working capital intensive operations

The group's operations are working capital intensive marked by high GCA of 126 days in FY2017 (Provisional) compared to 118 days in FY2016. The GCA days are mainly dominated by high debtor days of 100 in FY2017 (Provisional) compared to 92 days in FY2016. The high debtor days are mainly due to high receivables in large container business which is the major revenue generating source. SMERA believes that the 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. 65.50 crore in FY2017 (Provisional) as against Rs. 70.81 crore in FY2016 and Rs 67.23 crore in FY2015. For the period April 2017 to September 2017, the group booked revenue of Rs. 22.43 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

SMERA 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

In FY2016-17 (Provisional), the group reported profit after tax (PAT) of Rs. 3.79 crore on operating income of Rs. 65.50 crore as against net profit of Rs. 1.16 crore on operating income of Rs. 70.81 crore in the previous year. The tangible net worth stood at Rs. 29.55 crore as on 31 March, 2017 as against Rs. 25.77 crore a year earlier.

Any other information:

Not Applicable

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

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

CRISIL has been consistently following up with Prince Containers Private Limited (PCPL) for obtaining information through letters and emails dated August 07, 2017 and September 11, 2017 among others, apart from telephonic communication. However, the issuer has remained non cooperative.

'The investors, lenders and all other market participants should exercise due caution while using the rating assigned/reviewed with the suffix 'ISSUER NOT COOPERATING'. These ratings lack a forward looking component as it is arrived at without any management interaction and is based on best available or limited or dated information on the company.

Rating History (Upto last three years)
Not Applicable

Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.50	SMERA BB-/ Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.93	SMERA BB-/ Stable
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	14.50	SMERA A4+

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ABOUT SMERA

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