

Press Release

Micro Plastics

July 10, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 6.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (**read as ACUITE BB minus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs. 6.00 crore bank facilities of Micro Plastics. The outlook is '**Stable**'.

Established in 1990, Micro Plastics a Bangalore, Karnataka based proprietary concern is engaged in manufacturing of plastic molding components. Entity was promoted by Mr. M.N Kamath. Currently the entity has one manufacturing unit in Bangalore.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

Established in 1990, Micro Plastics has a long operational track record of nearly three decades in the plastic molding components business. Micro Plastics manufactures components majorly for automotive segment to an extent of about 80 percent, and rest for other sectors like Telecommunication, Healthcare and Electrical among others. It has reputed customer base in India and overseas countries like Germany and Spain among others. The healthy client base, and healthy relationship with the suppliers for procurement of raw materials (plastic modules) helped in healthy operating margins at about 10-11 per cent. The firm has an unexecuted order of about Rs.25.0 crore to deliver in FY2019 (refers to financial year, April 1st to March 31st) which gives adequate revenue visibility. Acuité believes that firm will continue to benefit from its experienced management and established relations with its customers and suppliers.

- **Steady growth in revenues and profitability**

Micro Plastics has recorded revenues of Rs.21.5 crores (provisional) in FY2018 as against Rs.12.23 crore in FY2017 on account of bulk orders received from Amalgamation Group and Amvian Automotive Pvt. Ltd; over the past three years through FY2017, the revenues have been flat at about Rs.12 crores. The firm's operating profitability margins are moderate at around 10-11 per cent over the past four years, and stood at about 9.9 per cent in FY2018. Acuité believes that the micro plastics revenues and profits are expected to improve at a steady level as the entity is undergoing capital expenditure to double the capacity to meet the order requirement.

Weaknesses

- **Average financial risk profile and working capital management**

The financial risk profile of entity is average marked by moderate gearing (debt-to-equity) and high total outside liabilities to total net worth (TOLTNW) though underpinned by comfortable debt protection metrics. Its gearing is moderate at 1.78 times as on March 31, 2018 (provisional) though an improvement from 2.44 times as on March 31, 2017. The total debt of 5.07 cores includes short term loan of Rs.3.66 crore and term loan of Rs. 1.41 crore as on March 31, 2018; its networth is modest at Rs.2.85 crore as on March 2018(provisional). Its debt protection metrics are comfortable: interest coverage ratio (ICR) at 3.53 times and net cash accruals to total debt (NCA/TD) of about 0.60 times in FY2018. Its working capital cycle is moderate with gross current asset days (GCA) of about 90 days in FY2018 against 182 days in FY2017; it tends to volatile in the range of 100-140 days. about 75 per cent growth in revenues over FY2017 has resulted in high utilisation of its bank lines at more than 90 per

cent. Modest net worth and high working capital requirement is expected to keep the TOLTNW levels high at about 3 times over the medium term. Acuité believes that though the cash accruals are moderate at about Rs.1.8 - 2.5 crore over the medium term, however the incremental working capital requirement for the revenue growth at 25-30 per cent is expected to constrain the financial risk profile at similar levels over the medium term.

• Client concentration in revenue profile

Micro Plastics generates around 90 percent of revenue from Amalgamation Group and Amvian Automotive Pvt. Ltd leading to client concentration risk; however, the same is mitigated partly on account of longstanding relationship with the group for over two decades.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of Micro Plastics

Outlook: Stable

Acuité believes the outlook on Micro Plastics will remain 'Stable' over the medium term on account experienced management and long track record of operations. The outlook may be revised to 'Positive' in case of significant improvement in its revenues while maintaining the profitability and efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital operations leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	21.47	12.23	11.85
EBITDA	Rs. Cr.	2.12	1.38	1.31
PAT	Rs. Cr.	0.94	0.32	0.20
EBITDA Margin	(%)	9.87	11.32	11.01
PAT Margin	(%)	4.37	2.58	1.68
ROCE	(%)	21.43	14.11	13.44
Total Debt/Tangible Net Worth	Times	1.78	2.44	2.62
PBDIT/Interest	Times	3.53	2.50	2.23
Total Debt/PBDIT	Times	2.39	3.29	3.27
Gross Current Assets (Days)	Days	172	182	142

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>

Note on complexity levels of the rated instrument

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

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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.60	ACUITE BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.30	ACUITE A4
Term loans	Not Applicable	Not Applicable	Not Applicable	1.10	ACUITE BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BB- / Stable

*FLC sublimit to term loan (USD 43000, approx. Rs. 27.95 lacs)

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About Acuité Ratings & Research:

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