

Press Release

Micro Plastics

September 20, 2019



Rating Reaffirmed

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 reaffirmed long-term rating of '**ACUITE BB-**' (**read as ACUITE double B 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 is a Bangalore-based proprietary concern engaged in manufacturing of plastic moulding components. The entity is promoted by Mr. M.N Kamath.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of Micro Plastics to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

Established in 1991, Micro Plastics has a long operational track record of more than two decades in the plastic molding components. The proprietor has experience of more than two decades in the same line of business. Micro Plastics has reputed customer base in India and overseas countries such as Germany and Spain among others. About 50 per cent of its revenues are derived from customers in automotive sector and remaining from other sectors such as Textile, Telecommunication, Healthcare and Electrical among others. Further, the management of entity over the years has also built a healthy relationship with suppliers for procurement of raw materials (plastic modules). Acuité believes that the firm will continue to benefit from its experienced management and established relation with its customers and suppliers.

Weaknesses

- **Average financial risk profile**

The firm's financial risk profile is below average, marked by a modest networth, moderate gearing (debt-to-equity), and modest debt protection measures. Micro Plastic's networth has remained modest at around Rs.3.35 crore as on March 31, 2019. The networth levels have remained modest due to modest scale of operations, which has resulted in limited accretion to reserves over the last three years through FY2019. Though the operating margins are moderate at ~ 11.3 to 9.6 per cent, the small scale of operations are expected to remain in the range of Rs. 24-27 crore over the medium term leading to limited accretion to reserves. Acuité expects the networth to remain modest in the range of Rs. 4.0-5.6 crore over the medium term, in the absence of any equity infusion by the promoters. The gearing of the firm stood at 1.47 times for FY2019 as compared to 1.84 times in FY2018. The NCA/TD and interest coverage ratio for FY2019 were modest at 0.29 and 3.54 times, respectively. The firm has followed a moderately aggressive financial policy in the past, which is reflected through its peak gearing levels of 2.44 times as on March 31, 2017. The leverage levels have marginally improved to around 1.47 times as on March 31, 2019.

- **Customer concentration**

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

Liquidity position

The firm has adequate liquidity marked by moderate net cash accruals to maturing debt obligations. The firm generated cash accruals of Rs. 0.83 crore to Rs. 1.50 crore during the last three years through 2017-19, while its maturing debt obligations were in the range of Rs. 0.12 crore to Rs. 0.47 crore for the same period. The cash accruals of the firm are estimated to remain around Rs. 1.7 crore to Rs. 2.1 crore during 2019-21, while its repayment obligations are estimated to be around Rs. 0.12 crore per annum. The firm's operations are moderately working capital intensive, which has led to higher reliance on working capital borrowings as reflected by higher utilization of the cash credit limit that is utilized at 90 per cent during the last 3 months period ended August 2019. The firm maintains unencumbered cash and bank balances of Rs. 0.02 crore as on March 31, 2019. The current ratio of the firm stood moderate at 1.04 times as on March 31, 2019. The firm is not likely to incur any major capex to be funded by external borrowing. Acuité believes that the liquidity of the firm is likely to remain adequate over the medium term on account of no major repayments over the medium term.

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 operation. The outlook may be revised to 'Positive' in case of significant improvement in its revenues, while maintaining 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	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	20.82	21.50	12.23
EBITDA	Rs. Cr.	2.00	2.10	1.38
PAT	Rs. Cr.	0.73	0.92	0.32
EBITDA Margin	(%)	9.62	9.77	11.32
PAT Margin	(%)	3.49	4.30	2.58
ROCE	(%)	15.89	21.08	14.11
Total Debt/Tangible Net Worth	Times	1.47	1.84	2.44
PBDIT/Interest	Times	3.54	3.53	2.50
Total Debt/PBDIT	Times	2.46	2.47	3.29
Gross Current Assets (Days)	Days	182	149	182

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

Not applicable.

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
10-Jul-2018	Term Loan	Long Term	1.10	ACUITE BB- / Stable (Assigned)
	Cash Credit	Long Term	3.60	ACUITE BB- / Stable (Assigned)
	Term Loan	Long Term	1.00*	ACUITE BB- / Stable (Assigned)
	Bank Guarantee	Short Term	0.30	ACUITE A4 (Assigned)

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

***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 (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.30	ACUITE A4 (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	1.10	ACUITE BB- / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	1.00**	ACUITE BB- / Stable (Reaffirmed)

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

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About Acuité Ratings & Research:

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