

Press Release

Pioneer Plastics Industries Limited

July 10, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 7.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs. 7.00 crore bank facilities of Pioneer Plastics Industries Limited. The outlook is '**Stable**'.

Incorporated in 1982, Pioneer Plastic Industries Limited (PPIL) is a New Delhi based company which is promoted by Mr. Mahabir Prasad Periwal, Mrs. Aruna Periwal and Mr. Raghuvir Sharma. The company is engaged in manufacturing of various types of HDPE and PVC plastic pipes and fittings. PPIL has a manufacturing unit located at Delhi with an installed capacity to manufacture 4000 metric tonnes per annum (tpa).

Key Rating Drivers

Strengths

- **Experienced management**

PPIL promoters have experience of around 35 years in manufacturing and trading of plastic pipes and fittings. The company has distribution network with around 200 dealers and distributors throughout India. PPIL has products of both HDPE and PVC types of plastic and is able to maintain the established relationship with clients such as Larsen & Turbo Limited and Reliance Infratel Limited. Acuité believes that PPIL will continue to enjoy the long operational track record and the promoters' experience in improving its business risk profile over the medium term.

- **Average financial risk profile**

Financial risk profile is marked by moderate net worth, moderate gearing and modest debt protection metrics. The net worth stood at Rs.9.85 crore as on 31 March, 2018 on provisional basis. The gearing is healthy at 0.95 times in FY2018. Debt protection metrics of Interest coverage ratio (ICR) and net cash accruals to total debt (NCA/TD) stood at 1.54 times and 0.05 times respectively for FY2018 (Provisional). Acuité believes that the financial risk profile is expected to improve marginally over the medium term in the absence of major debt-funded capex plans and moderate accruals.

Weaknesses

- **Intense working capital requirements**

PPIL's operations are working capital intensive as evident from Gross Current Assets (GCA) of 340 days as on 31 March, 2018 as against 342 days as on 31 March, 2017. The company's inventory days ranged from 80 days to 115 days and debtor days ranged from 160 days to 190 days during FY15-FY18. Reason for high debtors are delay in subsidies from the government for supplies to irrigation sector (end user being farmers); subsidy component is about 50-70 percent of irrigation sector sales and it takes about five months to receive subsidy from the government which leads to stretch in its liquidity. For institutional sales, credit period allowed is around 90-100 days. This lead to high utilisation of bank limits at around 95 percent for six months ended March 2018.

- **Modest and volatile revenues**

Operating income declined from Rs.42.27 crore in FY2015 to Rs.25.80 crore in FY2017; However, the same improved to Rs.26.04 crore in FY2018 (Provisional). The operating income declined mainly due to decline in orders from the reputed customers due to delayed offtake at the project level.

• **Margins are susceptible to volatility in raw material prices**

The key raw materials for PPIL are PVC/HDPE polymers, granules and the prices of these raw materials are in direct relation with the price of crude oil. Hence, PPIL's margins are largely affected by the raw material price fluctuation. As the company maintains an average inventory of 2-3 months, any adverse movement in the price of raw materials could have an adverse impact on the margins.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the PPIL to arrive at this rating.

Outlook: Stable

Acuité believes that PPIL will maintain a 'Stable' outlook over the medium term from its promoters' industry experience. The outlook may be revised to 'Positive' in case of significant improvement in its revenues, while sustaining the profitability and improving its liquidity by equity infusion. Conversely, the outlook may be revised to 'Negative' in case of further decline in revenue or stretch in its working capital management due to inordinate delay in receipt of subsidy from the Government.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	25.80	33.78	42.27
EBITDA	Rs. Cr.	1.55	1.47	2.16
PAT	Rs. Cr.	0.17	0.20	0.15
EBITDA Margin	(%)	6.00	4.34	5.11
PAT Margin	(%)	0.66	0.60	0.37
ROCE	(%)	7.16	7.28	17.37
Total Debt/Tangible Net Worth	Times	0.88	1.05	1.43
PBDIT/Interest	Times	1.47	1.52	1.38
Total Debt/PBDIT	Times	5.35	5.43	5.73
Gross Current Assets (Days)	Days	342	301	263

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	5.00	ACUITE B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4

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About Acuité Ratings & Research:

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