

Press Release

Akshat Plastics Private Limited

July 30, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 27.80 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB+**' (**read as ACUITE BB plus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs. 27.80 crore bank facilities of Akshat Plastics Private Limited. The outlook is '**Stable**'.

Incorporated in 1993 as a proprietary concern, Akshat Plastics Private Limited (APPL) was reconstituted to private limited company in 2003 under the leadership of its Directors, Mr. Brij Mohan Gupta and Mrs. Rekha Gupta. It is engaged in trading of polymers and plastic raw materials such as PVC resin, PVC paste resin, plasticizers and other polymers. The company has 3 warehousing facilities with total storage facilities of 5,000 MT increased from 3,000 MT in 2016.

Key Rating Drivers

Strengths

• Experienced management

APPL was established in 2003 and is led by Mr. Brij Mohan Gupta (Director) who has extensive experience of more than three decades in the plastic products' industry. The extensive experience of the Director has led to established market presence of APPL enabling it to build strong business ties with its suppliers and customers.

• Steady growth in revenues and moderate profitability

APPL has reported operating income of Rs.116.41 crore for FY2018 (Provisional) which has grown from Rs.101.88 crore in FY2017 and Rs.90.77 crore in FY2016. This is mainly because of the gradual growth in business due to addition of new customers and increase in orders from existing customers. The operating margins increased to 2.63 percent in FY2018 (Provisional) from 2.11 percent in FY2017. This is mainly due to GST input tax credit received of Rs.1.99 crore. Profit after Tax (PAT) margin stood at 0.83 percent in FY2018 (Provisional) as against 0.60 percent in FY2017.

• Comfortable working capital operations

The efficient working capital management of the company is marked by Gross Current Assets (GCA) of 82 days for FY2018 (Provisional) as compared to 92 days for FY2017. The debtor and inventory days stood at 17 and 58 for FY2018 (Provisional) as compared to 7 and 76 respectively in the preceding year. Further, creditors stood at 6 days for FY2018 (Provisional) as against 11 days for FY2017. The average bank limit utilisation was moderate at 60 to 70 percent in the past six months ended June 2018.

• Moderate financial risk profile

APPL's tangible net worth stood at Rs.17.14 crore as on 31 March, 2018 (Provisional) as against Rs.12.08 crore in FY2017. This is mainly due to accretion of reserves. Gearing (debt to equity) stood at 0.74 times as on 31 March, 2018 (Provisional) as against 1.04 times as on 31 March, 2017. The total debt of Rs.12.62 crore as on 31 March, 2018 (Provisional) comprises Rs.12.62 crore of working capital borrowing which includes buyer's credit of Rs.9.81 crore. APPL's coverage indicators stood comfortable with Interest Coverage Ratio (ICR) of 1.89 times in FY2018 (Provisional) as compared to 1.67 times in FY2017. Total outside Liability/Total Net Worth (TOL/TNW) stood at 0.93 times in FY2018 (Provisional) as compared to 1.45 times in FY2017.

Weaknesses

• Competitive and highly fragmented industry

APPL operates in a highly fragmented industry with limited entry barriers wherein the presence of large number of players in the unorganized sector limits the bargaining power with customers.

• Spike in prices of crude oil

Crude oil is derivative of polymers and plastic raw materials. Hence, the current spike in the prices of the crude oil will further increase the prices of polymers. This will determine the ability of the trader to pass on the price to its customers.

• Foreign exchange fluctuation risk

APPL purchases 75 - 80% of its material from countries like Korea and Taiwan. The company is not engaged in exports. Though company hedges its position it is exposed to foreign exchange fluctuations.

Analytical Approach

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

Outlook: Stable

Acuite believes that APPL will maintain a 'Stable' outlook over the medium term owing to the experienced management, prudent working capital operations and financial risk profile. The outlook may be revised to 'Positive' in case the company registers higher than expected growth in revenues while achieving significant improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of steep decline in profitability, or deterioration in the working capital operations and financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	116.41	101.88	90.77
EBITDA	Rs. Cr.	3.06	2.15	1.15
PAT	Rs. Cr.	0.97	0.61	0.32
EBITDA Margin	(%)	2.63	2.11	1.27
PAT Margin	(%)	0.83	0.60	0.36
ROCE	(%)	11.75	10.42	7.92
Total Debt/Tangible Net Worth	Times	0.74	1.04	1.32
PBDIT/Interest	Times	1.89	1.67	1.59
Total Debt/PBDIT	Times	3.90	5.38	7.98
Gross Current Assets (Days)	Days	82	92	80

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading -
- 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	4.50	ACUITE BB+ / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	23.30	ACUITE A4+

Contacts

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About Acuité Ratings & Research:

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