

Press Release

Akshat Plastics Private Limited

June 20, 2019

Rating Upgraded



Total Bank Facilities Rated*	Rs.27.80 Cr.
Long Term Rating	ACUITE BBB-/ Outlook: Stable (Upgraded)
Short Term Rating	ACUITE A3 (Upgraded)

* Refer Annexure for details

Rating Rationale

Acuite has Upgraded long term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) and short term rating to '**ACUITE A3**' (read as **ACUITE A three**) from '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.27.80 bank facilities of Akshat Plastics Private Limited. The outlook is '**Stable**'.

Established 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 total storage facilities of 5,000 MT.

The upgrade is on the account of improvement in APPL's business and financial risk profile with stable growth in operating income and improved working capital of the company. The revenue profile of the company has improved to Rs.135.79 in FY2019 (Provisional) from Rs.114.42 in FY2018. Gross current assets days (GCA) stood at 77 days for the FY2019 (Provisional) as against 103 days for the FY2018. Further, the rating considers the extensive experience of the promoters in the plastic products industry.

Analytical Approach

For arriving at its rating, Acuite has taken a standalone view of the business and financial risk profile of APPL.

Key Rating Drivers

Strengths

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

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

- **Above average financial risk profile**

The financial risk profile of the company is above average marked by tangible net worth of Rs.18.15 crore as on 31 March 2019 (Provisional) as against Rs.15.83 crore in the previous year. Gearing (debt-equity) of the company stood at 0.18 times as on 31 March 2019 (Provisional) as against 0.81 times as on 31 March 2018. APPL's coverage indicators stood comfortable with Interest Coverage Ratio (ICR) of 2.79 times for FY2019 (Provisional) as compared to 1.88 times for FY2018. DSCR stood at 1.73 times for FY2019 (Provisional) as against 1.60 times in the previous year. Total outside liabilities to tangible net worth (TOL/TNW) stood at 0.58 times as on 31 March 2019 (Provisional) as against 1.01 times as on 31 March 2018.

- **Moderate Working Capital Cycle**

APPL has moderate working capital cycle marked by Gross Current Assets Days (GCA) of 77 days for FY2019 (Provisional) as against 103 days for FY2018. The debtor and inventory days stood at 6 days and 46 days respectively for FY2019 (Provisional) as compared to 17 days and 58 days respectively in the preceding year. Further creditor days stood at 15 days for FY2019 (Provisional) as against 7 days for FY2018.

Weaknesses

• Foreign exchange fluctuation risk

APPL purchases most 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.

• 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

Liquidity Profile

APPL has average liquidity position marked by moderate net cash accruals to its maturing debt obligation. Company has generated net cash accruals of Rs.1.68 crore for the FY2019 (Provisional) with Rs.0.24 crore maturing debt obligation for the same period. The company maintains unencumbered cash and bank balances of Rs.2.89 crore as on 31 March 2019 (Provisional) as against Rs.6.17 crore as on 31st March 2018. The current ratio of the company stood at 2.63 times as on March 31, 2019 (Provisional) and 1.98 times as on 31st March 2018. The operations of the company stood moderately working capital intensive in nature marked by Gross Current Assets (GCA) of 77 days in FY2019 (Provisional) as against 103 days in FY2018.

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	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	135.79	114.42	101.88
EBITDA	Rs. Cr.	3.20	2.88	2.15
PAT	Rs. Cr.	1.60	1.00	0.62
EBITDA Margin	(%)	2.35	2.51	2.11
PAT Margin	(%)	1.18	0.87	0.61
ROCE	(%)	13.44	11.84	10.42
Total Debt/Tangible NetWorth	Times	0.18	0.81	1.04
PBDIT/Interest	Times	2.79	1.88	1.67
Total Debt/PBDIT	Times	0.94	4.08	5.38
Gross Current Assets (Days)	Days	77	103	103

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Application of Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Trading Entities- <https://www.acuite.in/view-rating-criteria-6.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
30-July-18	Cash Credit	Long term	4.50	ACUITE BB+/ Stable (Assigned)
	Letter of Credit	Short term	23.30	ACUITE A4+/ Stable (Assigned)

*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	4.50	ACUITEBBB-/Stable (Upgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	23.30	ACUITE A3 (Upgraded)

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