

## Press Release

### Akshat Plastics Private Limited

September 11, 2020



#### Rating Reaffirmed and Assigned

<b>Total Bank Facilities Rated*</b>	Rs.34.06 Cr. (Enhanced from Rs.33.80 Cr.)
<b>Long Term Rating</b>	ACUITE BBB-/ Outlook: Stable (Reaffirmed)
<b>Short Term Rating</b>	ACUITE A3 (Reaffirmed)

\* Refer Annexure for details

#### Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and the short-term rating of '**ACUITE A3**' (**read as ACUITE A three**) on the Rs.33.80 crore bank facilities of Akshat Plastics Private Limited. The outlook is '**Stable**'.

Further, Acuité has assigned long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and short-term rating of '**ACUITE A3**' (**read as ACUITE A three**) on the Rs.0.26 crore bank facilities of Akshat Plastics Private Limited. The outlook is '**Stable**'.

#### About the company

New Delhi- based, Akshat Plastics Private Limited (APPL) was initially established as a proprietorship concern in 1993 and later in 2003, the constitution was changed to a private limited company. The company is promoted by Mr. Brij Mohan Gupta and Mrs. Rekha Gupta and is engaged in trading of polymers and plastic raw materials like PVC resin; PVC paste resin; plasticizers and other polymers. The company imports majorly from Taiwan and Korea and sells the products in the domestic market. The company also has 6 warehousing facilities located in New Delhi.

#### Analytical Approach

Acuité has taken the standalone view of the business and financial risk profile of Akshat Plastics Private Limited for arriving at this rating.

#### Key Rating Drivers

##### Strengths

###### • **Experience Management and established track record of operations**

The promoters of APPL, Mr. Brij Mohan Gupta and Mrs. Rekha Gupta, have around three decades of experience in the trading of polymers and plastic raw material business. This has helped the company to establish a strong market position. The company has been in the aforementioned business for almost three decades which has helped them to maintain strong relations with its customers as well as with its suppliers and to scale up its scale of operations. Operating income stood at Rs.146.86 crore in FY2020 (Provisional) as against Rs.135.79 crore in FY2019 and Rs.114.42 crore in FY2018.

Acuité believes that the company will continue to derive benefit from its experienced management and established market position over the medium term.

###### • **Working capital efficient nature of operations**

Operations of the company are working capital efficient marked by Gross Current Assets (GCA) of 71 days in FY2020 (Provisional) as against 71 days in the previous year. This is majorly on the account inventory holding period of 56 days in FY2020 (Provisional) as against 45 days in the previous year. The current ratio of the company stood healthy at 3.20 times as on 31 March 2020 (Provisional) as against 2.68 times in the previous year. Going forward, maintenance of efficiency in the working capital management will remain a key rating sensitivity factor.

- **Moderate financial risk profile**

The financial risk profile of the company is moderate, marked by moderate net worth and debt protection metrics and low gearing. The net worth of the company improved to Rs.22.24 crore as on 31 March 2020 (Provisional) from Rs.18.91 crore as on 31 March 2019. The improvement is on account of accretion of profit to reserves.

The gearing level (debt-equity) stands at 0.24 times as on 31 March, 2020 (Provisional) as against 0.18 times as on 31 March, 2019. TOL/TNW (Total outside liabilities- Total net worth) stands at 0.45 times as on 31 March 2020 (Provisional) as against 0.59 times as on 31 March 2019. The total debt of Rs.5.36 crore as on 31 March, 2020 (Provisional) is working capital borrowings. The Interest coverage ratio (ICR) and debt service coverage ratio (DSCR) stood at 2.63 times and 2.22 times, respectively in FY2020 (Provisional) as against 2.60 times and 1.63 times respectively in FY2019. NCA/TD (Net cash accruals to total debt) stands low at 0.34 times in FY2020 (Provisional) as against 0.46 times in FY2019. Debt/EBITDA stood high at 1.35 times in FY2020 (Provisional) as against 0.98 times in FY2019.

Going forward, Acuite believes the financial risk profile of the company will remain moderate, backed by no major debt-funded capex plan over the medium term and steady net cash accruals.

## Weaknesses

- **Fluctuating profitability**

The profitability of the company has been fluctuating in nature during the last three years under study. Operating income stood at 2.29 percent in FY2020 (Provisional) as against 2.23 percent in FY2019 and 2.51 percent in FY2018. Acuité expects that the operating margin of the company will remain in the range of 2.20- 2.50 percent over the medium term.

- **Susceptibility of revenue to raw material prices**

The polymer prices are linked to prices of crude. Since crude prices exhibit high volatility depending on the actions of the major crude players like OPEC, the prices of polymers also move in tandem. So the ability of the company to pass on the prices to its customers will be critical. Also, the domestic demand for polymers is linked to general industrial activity and any slowdown in domestic output will have a moderating impact on the demand for polymers. Lockdown due to COVID-19 led to a reduction in operating income to Rs.21.29 in Q1FY2021 from Rs.46.42 crore in Q1FY2019.

Acuité expects that the revenues and margins of the company will remain exposed to fluctuations in petrochemical prices, competitive landscape and demand for polymers.

## Rating Sensitivities

- Lower than expected operating performance
- Significant decline in profitability margins
- Any deterioration in the working capital cycle and liquidity profile of the company

## Material Covenants

None

## Liquidity Position: Adequate

APPL has adequate liquidity profile marked by moderate net cash accruals to its maturing debt obligations. The company generated net cash accruals of Rs.1.84 crore in FY2020 (Provisional) as against no repayment obligations for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.2.31 crore to Rs.2.34 crore during FY2021-23. The company's average bank limit utilization stood at ~22 percent for the last six-month period ended in July, 2020. The company maintained unencumbered cash and bank balances of Rs.0.04 crore as on 31 March, 2020 (Provisional). The current ratio stands healthy at 3.20 times as on 31 March, 2020 (Provisional). Letter of credit due for September-2020 is Rs.7.26 crore and for October-2020 is Rs.7.65 crore as against monthly average revenue of around Rs.11.00-12.00 during the last two years.

## Outlook: Stable

Acuité believes that APPL will maintain a 'Stable' outlook over the medium term owing to its experienced management and established market position. The outlook may be revised to 'Positive' in case the company achieves more than envisaged sales and profitability while efficiently managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' if the company's liquidity is deteriorated or significant deterioration in financial risk profile.

#### About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	146.86	135.79
PAT	Rs. Cr.	1.75	1.45
PAT Margin	(%)	1.19	1.07
Total Debt/Tangible Net Worth	Times	0.24	0.18
PBDIT/Interest	Times	2.63	2.60

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

Not Applicable

#### Any other information

Not Applicable

#### Applicable Criteria

- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

#### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

#### Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
03-Sep-2020	Cash Credit	Long term	4.50	ACUITE BBB-/ Stable (Reaffirmed)
	Stand-by line of credit	Short term	1.00	ACUITE A3 (Assigned)
	Letter of Credit	Short term	28.00	ACUITE A3 (Reaffirmed)
	Proposed Bank Facility	Long term	0.30	ACUITE BBB-/Stable (Assigned)
20-June-2019	Cash Credit	Long term	4.50	ACUITE BBB-/Stable (Upgraded)
	Letter of Credit	Short term	23.30	ACUITE A3 (Upgraded)
30-July-2018	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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE BBB-/ Stable (Reaffirmed)
Stand-by line of credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A3 (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	28.00	ACUITE A3 (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.56 (Enhanced from Rs.0.30 Cr.)	ACUITE BBB-/ Stable (Reaffirmed)

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### About Acuité Ratings & Research:

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