

Press Release

Akshat Plastics Private Limited

December 02, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	7.06	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	47.00	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	54.06	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple Bminus**) and the short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.54.06 crore bank facilities of Akshat Plastics Private Limited (APPL). The outlook is '**Stable**'.

Rationale for the rating

Rating reaffirmation takes into account the long track record of operations, improvement in scale of operations, moderately working capital intensive nature of operations and fluctuating margins. In the current year company has experienced dip in profitability as compared to FY 2021 however in terms of profitability FY 2021 was an exceptional year and hence the decline in margin was normal for the business. Company has been able to maintain the moderate financial risk profile despite increase in debt and decline in profitability. Going forward movement of profitability margins and the scale of operation will remain key rating sensitivities.

About the Company

Established as a proprietorship entity by Mr. Brij Mohan Gupta in 1993 and later converted into a private limited company in 2003, Akshat Plastics Private Limited (APPL) is engaged in the trading of various polymers and plastic raw materials viz. PVC resins, ethylene-vinyl acetate (EVA), foam, PVC paste resins, plasticizers, PVC chemicals, plastic granules, etc., which find application in various sectors viz. PVC pipes, textiles, chemicals, leather products, etc. The products dealt by the company are sold entirely in the domestic market across various cities in Delhi, Haryana and Gujarat. On the other hand, the said products are majorly imported from Korea, Taiwan and Thailand. The company operates through its corporate office and six warehousing facilities located in New Delhi, India.

Analytical Approach

Acuite has considered the standalone business & financial risk profiles of APPL to arrive at the ratings.

Key Rating Drivers

Strengths

Long track record of operations and highly experienced promoters

APPL possesses a long track record of over three decades of operations in the trading of polymers and plastic raw materials. The overall operations of the company are looked after by the promoters – Mr. Brij Mohan Gupta along with his wife – Mrs. Rekha Gupta, who possess a total experience of over three decades in the trading of polymers and plastic raw materials. Over the years of its operations, the company has established long term relationships with its various customers, suppliers and other stakeholders. Moreover, the long experience of the promoters has helped the company to establish a strong market position as well as scale up its operations.

Moderately working capital intensive nature of operations

Company's operations are moderately working capital intensive in nature with moderately high GCA days of 93 days in FY 2022 as against 102 days in FY 2021, since the majority of funds of over 60-75 days are blocked in inventory. Inventory holding period has moderated from 90 days in FY 2021 to 74 days in FY 2022. Debtor period has remained comfortable and have marginally declined from 3 days in FY 2021 to 2 days in FY 2022. Creditor days have also moderated from 19 days in FY 2021 to 9 days in FY 2022. Since company's majority share of purchases is through imports company uses sight and usance LCs of 90 days to procure the materials. Average bank limit utilization in CC limit of Rs. 5.50 Cr from State Bank of India has remained comfortable at 19.09% for 19 months' period between April 2021 to October 2022.

Moderate financial risk profile

The financial risk profile of the company is moderate marked by relatively small tangible net-worth base and comfortable capital structure & debt coverage indicators. The tangible net-worth base stood relatively small at Rs. 28.11 crore as on March 31, 2022 as against Rs. 20.68 crore as on March 31, 2021. Total debt stood at Rs. 21.57 Cr in FY 2022 comprising of Rs. 7.75 Cr of unsecured loans and Rs. 13.82 Cr of working capital borrowing. Consequently, gearing moderated from 0.49 times in FY 2021 to 0.77 times in FY 2022. Interest Coverage Ratio although moderated marginally but stood strong at 9.02 times in FY 2022 as against 9.93 times in FY 2021. NCA/TD moderated from 0.99 times in FY 2021 to 0.35 times in FY 2022. TOL/TNW and Debt-Ebitda moderated from 0.94 times and 0.68 times in FY 2021 respectively to 1.13 times and 1.90 times respectively in FY 2022. Moderation in debt protection metrics is a result of moderation of profitability from exceptional levels achieved in FY 2021 and increase in debt in FY 2022.

Weaknesses

Susceptibility of profit margins to volatility in raw material prices

The profit margins of APPL are highly susceptible to the volatility in the prices of polymers and plastic raw materials, since the same are directly linked to the crude oil prices which witness high fluctuations depending upon the actions of the major crude oil players like OPEC. Moreover, the domestic demand for the polymers and plastic raw materials is directly linked to the industrial activities in various sectors viz. PVC pipes, textiles, chemicals, leather products, etc. Hence, any slowdown in the said industrial activities may have a bearing on the demand, thereby having an impact on the revenues and in turn on the profit margins & profitability of the company.

Foreign exchange fluctuation risk

APPL is highly reliant on the imports from Korea, Taiwan, Thailand, etc. for procuring the products, wherein the imports comprised 83.88% of the total purchases in FY22 as against 81.27% in FY21. Moreover, the operations of the company do not serve as a natural hedge, since the company does not cater to the exports market. This makes the company being highly exposed to the foreign exchange fluctuation risk. However, the company undertakes hedging by way of entering into the forward contracts with the bank. The company posted a foreign exchange gain worth Rs.1.54 crore in FY22 as against Rs.1.43 crore in FY21.

Presence in highly competitive & fragmented plastics & polymers trading industry

APPL is present in a highly competitive & fragmented plastics & polymers trading industry,

wherein a number of small-sized & medium-sized players are engaged in the trading of polymers and plastic raw materials. Moreover, the presence of reputed domestic customers and reputed global suppliers leads to a limited bargaining power by the company with its customers & suppliers, which is evidently reflected from the low profit margins till FY20.

Rating Sensitivities

- Profitability.
- Scale of operations

Material covenants

None.

Liquidity Position

Adequate

Company has adequate liquidity position. In FY 2022 company generated net cash accruals of Rs. 7.51 Cr in FY 2022 against nil maturing debt obligations. Average bank limit utilization in CC limit of Rs. 5.50 Cr from State Bank of India has remained comfortable at 19.09% for 19 months' period between April 2021 to October 2022. Company has unencumbered cash and bank position of Rs. 0.09 Cr in FY 2022.

Outlook: Stable

Acuité believes that APPL will continue to maintain a 'Stable' outlook over the medium term owing to the established track record of operations coupled with highly experienced promoters in the industry. The outlook may be revised to 'Positive' in case of an expected increase in the scale of operations while maintaining the profitability and efficiently managing the working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of an expected deterioration in the overall financial risk profile and the liquidity position.

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	201.80	124.21
PAT	Rs. Cr.	7.43	9.96
PAT Margin	(%)	3.68	8.02
Total Debt/Tangible Net Worth	Times	0.77	0.49
PBDIT/Interest	Times	9.02	9.93

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

None

Any other information

None.

Applicable Criteria

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

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is

different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Sep 2021	Cash Credit	Long Term	5.50	ACUITE BBB- Stable (Reaffirmed)
	Letter of Credit	Short Term	32.00	ACUITE A3 (Reaffirmed)
	Proposed Bank Facility	Long Term	1.56	ACUITE BBB- Stable (Reaffirmed)
	Letter of Credit	Short Term	15.00	ACUITE A3 (Assigned)
11 Sep 2020	Letter of Credit	Short Term	28.00	ACUITE A3 (Reaffirmed)
	Standby Line of Credit	Short Term	1.00	ACUITE A3 (Reaffirmed)
	Proposed Bank Facility	Long Term	0.56	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	4.50	ACUITE BBB- Stable (Reaffirmed)
03 Sep 2020	Cash Credit	Long Term	4.50	ACUITE BBB- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	0.30	ACUITE BBB- Stable (Assigned)
	Standby Line of Credit	Short Term	1.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	28.00	ACUITE A3 (Reaffirmed)
20 Jun 2019	Term Loan	Long Term	4.50	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Letter of Credit	Short Term	23.30	ACUITE A3 (Upgraded from ACUITE A4+)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.50	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	32.00	ACUITE A3 Reaffirmed
CITI Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A3 Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	1.56	ACUITE BBB- Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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