

Press Release

PRISM DESIGN AND TOOLING TECHNOLOGY PRIVATE LIMITED

August 13, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 15.85 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB**' (**read as ACUITE BB**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs. 15.85 crore bank facilities of PRISM DESIGN AND TOOLING TECHNOLOGY PRIVATE LIMITED. The outlook is '**Stable**'.

Prism Design and Tooling Technology Private Limited (PDTTPL) is a Mumbai based company promoted by Mr. Raakesh Chheda, Mr. Nathalal Dudhagara, Ms. Neena Chheda and Mr. Divyaansh Chheda. Though the company was incorporated in 1964, the company commenced its operations on small scale in 2005, as a mould supplier to the flagship company of its group 'Prince Corp Private Limited'.

The company is engaged in designing and manufacturing of high precision moulds and manufacturing of plastic moulds through injection moulding. PDTTPL is a part of Prince Group. Apart from PDTTPL, the group consists of six more companies' viz. Prince Corp Private Limited (PCPL), Prince Plastics India Private Limited (PPIPL), Association for Development of Luggage and Accessories (ADLA), Prince Africa Limited (PAL), Prince ware Africa (Kenya) Ltd (PAL) and Prince ware Global Holdings Ltd (PGHL). PCPL is mainly present into three product categories viz. plastic house ware, thermo ware and luggage.

Key Rating Drivers

Strengths

• Experienced management and long track-record of operations

PDTTPL continues to benefit from its experienced management. Mr. Raakesh Chheda and Mr. Nathalal Dudhagara possess more than three decades of experience in the aforementioned line of business. Acuité believes that PDTTPL will continue to leverage the promoters' longstanding relation with customers to achieve sustainable growth in its operating income.

• Average financial risk profile

The company has average financial risk profile marked by net worth of Rs.14.39 crore as on 31 March, 2018 (Provisional) compared to Rs. 13.77 crore as on 31 March, 2017. The gearing stood at 0.63 times as on 31 March, 2018 (Provisional) as against 0.60 times as on 31 March, 2017. The total debt of Rs. 9.07 crore comprises term loan of Rs. 1.36 crore from banks and working capital funds of Rs. 6.54 crore as on 31 March, 2018 (Provisional). The Interest Coverage Ratio stood at 2.14 times in FY2018 (Provisional) as against 1.84 times in FY2017. The Debt Service Coverage Ratio stood at 1.06 times in FY2018 (Provisional) as against 1.05 times in the previous year. The Net Cash Accruals stood at Rs. 1.47 crore as against repayment obligation of Rs. 1.16 crore in FY2018 (Provisional).

• Diversified Product Portfolio

The company's product portfolio includes plastic moulded products such as Door trims, moulds for television, washing machine, cream jars, pale containers and is expanded into thermo ware, kitchenware, house ware, bath ware, luggage segment. This large portfolio helps the company to cater to consumer electronics, home and kitchen appliances and automotive industries, resulting in low dependency on any particular sector.

- **Reputed Clientele**

Revenue buoyancy is expected on the back of higher off take from its existing clientele list such as Tata Autocomp Systems Ltd, Prince Corp Private Limited, Motherson Automotive Technologies & Engineering, TVS Motor Company Limited, Exide Industries Limited amongst others.

Weaknesses

- **Uneven revenue trend**

Despite being in operations since 2005, the company has small scale of operations marked by revenue of Rs. 15.53 crore in FY2018 (Provisional) as against Rs. 13.45 crore in FY2017 and Rs 25.26 crore in FY2016. Owing to the nature of business in which the company operates, the process from manufacturing to delivering the product is elongated. Until, the final approval is received from the client, the product is shown as Work in progress and revenue recognition is done after such approval. Hence, uneven trend of revenue.

- **Working capital intensive nature of operations and stretched liquidity**

The operations are working capital intensive in nature marked by Gross Current Assets (GCA) days of 491 (Provisional) in FY2018 and 516 in FY2017. The GCA days are high on account of high inventory holding period of 378 days (Provisional) in FY2018 and 373 days in FY2017. The company had debtors outstanding of 128 days in FY2018 (Provisional) as against 155 days in FY2017. The liquidity position of the firm is stretched as the cash credit limit is 100 percent utilised during the last six months ended 30 June, 2018.

- **Susceptibility of margins to volatility in raw material prices**

PDTPL margins are susceptible to volatility in raw material prices. The key raw material required is steel and plastic granules. Adverse changes in prices may affect the profitability of the company.

- **Competition and fragmented nature of business**

The company is operating in competitive and fragmented nature of industry. There are several players engaged in the moulded plastic products industry in organized and unorganized sector. Hence, the company faces pricing pressure from other competitors.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Prism Design and Tooling Technology Private Limited to arrive at this rating.

Outlook: Stable

Acuité believes that PDTPL will maintain a 'Stable' outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers significant growth in its revenue and profitability while maintaining comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case of stretched working capital cycle or deterioration in its financial risk profile due to higher than expected debt funded capex plan.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	15.53	13.45	25.26
EBITDA	Rs. Cr.	3.24	2.75	4.47
PAT	Rs. Cr.	0.53	0.07	1.32
EBITDA Margin	(%)	20.88	20.46	17.68
PAT Margin	(%)	3.42	0.54	5.22
ROCE	(%)	9.93	8.32	33.95
Total Debt/Tangible Net Worth	Times	0.63	0.60	0.58
PBDIT/Interest	Times	2.14	1.84	2.99
Total Debt/PBDIT	Times	2.78	2.98	1.71
Gross Current Assets (Days)	Days	491	516	232

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

Not Applicable

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	7.00	ACUITE BB / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.21	ACUITE BB / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.52	ACUITE BB / Stable (Assigned)
Proposed	Not Applicable	Not Applicable	Not Applicable	1.12	ACUITE BB / Stable (Assigned)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4+ (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4+ (Assigned)

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About Acuité Ratings & Research:

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