

Press Release

Prism Design And Tooling Technology Private Limited

November 06, 2019

Rating Downgraded



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

* Refer Annexure for details

Rating Rationale

Acuite has downgraded long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) from **ACUITE BB/Stable** and short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) from **ACUITE A4+** on the Rs. 15.85 crore bank facilities of PRISM DESIGN AND TOOLING TECHNOLOGY PRIVATE LIMITED (PTPL). The outlook is '**Stable**'.

The rating downgrade is majorly on account elongated working capital cycle leading to consistent high level of bank lines. The Gross Current Asset stood at 442 days for FY2019 as against 474 days in the previous year. The company witnesses liquidity pressure marked by full utilization of bank lines. In addition, the company has recorded lower than expected operating performance in terms of both turnover and profitability. The profitability has shown a declining trend marked by operating margin of ~18.5 percent in FY2019 as compared to ~20.3 percent in FY2018. Further, as the company majorly caters to automobile industry, Acuite believes with slowdown in auto sector, the company is likely to have an impact its business profile in near to medium term.

PTPL 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 in 2005, as a mould supplier to the flagship company of its group 'Prince Corp Private Limited'. Currently, company is engaged in designing and manufacturing of high precision moulds and manufacturing of plastic moulds through injection moulding.

PTPL is a part of Prince Group. Apart from PTPL, 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.

Analytical Approach

Acuite has considered the standalone financial and business risk profile of PTPL to arrive at the rating.

Key Rating Drivers

Strengths

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

PTPL is engaged in designing and manufacturing of high precision moulds and manufacturing of plastic moulds through injection moulding. The company has a presence in the said industry for over a decade. The company is promoted by Mr. Rakesh Chheda and Mr. Nathalal Dudhagara who possess more than three decades of experience in the aforementioned line of business. Acuite believes that PTPL will continue to leverage the promoters' longstanding relation with customers to achieve sustainable growth in its operating income.

- **Moderate financial risk profile**

PTPL's financial risk profile is average, marked by a moderate network, gearing and debt protection metrics.

PTPL's networth is moderate at around Rs. 10.87 crores as on March 31, 2019 as compared to Rs. 10.07 crore in the previous year. The company has followed a moderately conservative financial policy in the past, the same is reflected through regular infusion of unsecured loans to support working capital requirements and its gearing levels of 0.85 times as on 31 March 2019 and total outside liabilities to tangible networth (TOL/TNW) of 1.81 times as on March 31, 2019. PTPL's moderate cash accruals to the tune of about ~Rs. 1.8 crore for FY2019 have supported in minimizing the reliance on external debt lead to debt levels of ~Rs. 9.2 crores as on March 31, 2019 which includes unsecured loans of ~Rs.1.0 crore. The NCA/TD and interest coverage ratio for FY 2019 were moderate at 0.19 times and 2.6 times, respectively. Acuite believes the financial risk profile of the company will remain moderate on account of moderate net cash accruals and in absence of any major debt funded capex.

• **Reputed clientele**

The company has been associated with reputed clientele base. The revenue buoyancy is expected on the back of higher off take from its existing clientele list such as Tata Autocomp Systems Ltd, Motherson Automotive Technologies & Engineering, TVS Motor Company Limited, Exide Industries Limited amongst others.

Weaknesses

• **Working capital intensive nature of operations**

PTPL operates in a working capital-intensive industry marked by significantly high Gross Current Asset (GCA) days of 442 days for FY2019 as against 474 days for FY2018. The receivables period has decreased to 109 days in FY2019 as against 153 days in FY2018. Inventory days stood high at 368 days in FY2019 as against 372 days in FY2018. The company has a high reliance on bank limit reflected in full utilization of bank limit for the last six months ended September 2019.

• **Declining profitability and modest scale of operations**

Despite being in operations for more than a decade, the company has modest scale of operations marked by turnover of Rs. 16.5 crore for FY2019 as compared to Rs.15.7 crore for FY2018 and Rs. 13.5 crore for FY2017. Further, the operating margins of the company has shown a declining trend marked by operating margin of 18.52 percent in FY2019 as compared to 20.31 percent in FY2018 and 20.46 percent in FY2017. The decline is mainly due to increase in raw material costs. The key raw material required by the company are plastic granules and steel, the prices of which are volatile in nature. Adverse changes in the prices of these materials affects 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 various competitors.

Rating Sensitivities

- Elongation of working capital cycle
- Improvement in scale of operations and profitability
- Deterioration in financial risk profile due to debt funded capex

Material Covenants

- None.

Liquidity position: Stretched

PTPL has stretched liquidity marked by healthy net cash accruals to maturing debt obligations. PTPL generated cash accruals of Rs. 1.0 to 1.8 crore during the last three years through 2017-19, while its maturing debt obligations were in the range of Rs. 0.72 to 1.30 crore for the same period. Further, the company maintains inventory days of 368 days for FY2019 as against 372 days for FY2018. This has led to higher reliance on bank lines marked by full utilisation for last six months ending September 2019. The current ratio of PTPL stands healthy at 1.2 times as on March 31, 2019. PTPL is not likely to incur any major capex to be funded by external borrowing. Acuite believes that the liquidity of PTPL is likely to remain stretched over the medium term on account of tepid growth in automobile sector and piled up in inventory.

Outlook: Stable

Acuite believes that PTPPL 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 elongation in working capital management leading to higher reliance on external borrowings.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	16.51	15.68	13.45
EBITDA	Rs. Cr.	3.06	3.18	2.75
PAT	Rs. Cr.	0.89	0.21	0.07
EBITDA Margin	(%)	18.52	20.31	20.46
PAT Margin	(%)	5.36	1.35	0.54
ROCE	(%)	9.60	9.99	16.21
Total Debt/Tangible Net Worth	Times	0.85	1.30	1.25
PBDIT/Interest	Times	2.60	2.08	1.84
Total Debt/PBDIT	Times	2.99	4.07	4.43
Gross Current Assets (Days)	Days	442	474	516

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

Not applicable.

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
13-Aug-2018	Cash Credit	Long Term	7.00	ACUITE BB / Stable (Assigned)
	Term Loan	Long Term	2.00	ACUITE BB / Stable (Assigned)
	Term Loan	Long Term	0.21	ACUITE BB / Stable (Assigned)
	Term Loan	Long Term	0.52	ACUITE BB / Stable (Assigned)
	Proposed Bank Facility	Long Term	1.12	ACUITE BB / Stable (Assigned)
	Letter of Credit	Short Term	1.00	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	4.00	ACUITE A4+ (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	7.00	ACUITE BB- / Stable (Downgraded from ACUITE BB/Stable)
Term loans	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB- / Stable (Downgraded from ACUITE BB/Stable)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.21	ACUITE BB- / Stable (Downgraded from ACUITE BB/Stable)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.52	ACUITE BB- / Stable (Downgraded from ACUITE BB/Stable)
Proposed	Not Applicable	Not Applicable	Not Applicable	1.12	ACUITE BB- / Stable (Downgraded from ACUITE BB/Stable)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4 (Downgraded from ACUITE A4+)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4 (Downgraded from ACUITE A4+)

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About Acuite Ratings & Research:

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