

Press Release

Plastic Component Industries

September 25, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 22.00 Cr.
Long Term Rating	ACUITE B- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE B-**' (read as **ACUITE B minus**) to the Rs. 22.00 crore bank facilities of Plastic Component Industries (PCI). The outlook is '**Stable**'.

New Delhi based, Plastic Component Industries (PCI) is a proprietorship firm established in 1987 by Mr. Nirantar Kumar. The firm is engaged in manufacturing of plastic components for seating and sheet metal components. The manufacturing facility is located in New Delhi and Haryana having an installed capacity of 75000 pieces per day.

Key Rating Drivers

Strengths

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

PCI was established in 1987 thus having an operational track record of over three decades in the plastic industry. This has helped to maintain long standing relations with customers and suppliers. The firm also benefits from its experienced promoter Mr. Nirantar Kumar (Proprietor) who possess over three decades of experience in the aforementioned industry.

Acuite believes PCI will sustain its existing business profile on the back of established track record of operations and experienced management.

Weaknesses

- **Uneven revenue trend along with moderate profitability**

PCI has uneven revenue trend during the period FY2015 to FY2018. In FY2018 (Provisional) PCI has registered revenues of Rs.32.76 crore in FY2017 as against Rs. 31.59 crore in FY2016. Further, the firm has achieved revenue of Rs.29.39 crore. The firm has order in hand of ~Rs. 45.00 crore as on July 2018 which is to be executed by the end of FY2019. The EBITDA margins improved to 7.42 per cent in FY2018 (Provisional) from 7.04 per cent in FY2017. But, the PAT margins have declined to 1.09 percent in FY2018 (Provisional) as against 2.85 percent in FY2017 due to increase in interest cost in FY2018 (Provisional) over FY2017.

- **Below Average financial risk profile**

The financial risk profile of PCI is below average marked by net worth of Rs. 5.02 crore as on 31 March 2018 (Provisional) as against Rs. 4.73 crore as on 31 March 2017. Gearing (debt-equity) stood high at 3.95 times as on 31 March 2018 (Provisional) as against 3.00 times as on 31 March 2017. The total debt of Rs.19.84 crore as on 31 March 2018 (Provisional) mainly comprises of Rs. 14.81 crore of term loans and Rs. 5.03 crore of working capital facility. The Interest Coverage Ratio (ICR) stood at 2.24 times for FY2018 (Provisional) as against 3.21 times for FY2017. The DSCR (Debt service coverage ratio) stood at 1.46 times in FY2018 (Provisional) as against 1.80 times in FY2017. The NCA/TD (Net cash accruals to total debt) stood at 0.06 times in FY2018 (Provisional) and 0.11 times in FY2017. Further, Debt to EBITDA stood at 9.10 times in FY2018 (Provisional) as against 6.16 times in FY2017.

- **Working capital intensive operations**

PCI has working capital intensive nature of operations marked by high Gross Current Asset (GCA) days of 370 days in FY2018 (Provisional) as against 282 days in FY2017. This is mainly due to high inventory of

175 days in FY2018 (Provisional) as against 138 days in FY2017. The debtors are also high at 112 days in FY2018 (Provisional) as against 108 days in FY2017. Further, the creditor days stood high at 379 days for FY2018 (Provisional) as against 293 days in the previous year.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the firm to arrive at the rating.

Outlook: Stable

Acuite believes that PCI will maintain stable outlook over the medium term on back of its experienced management and reputed clients. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues while improving profitability along with improved financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Prov.)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	29.39	32.76	31.59
EBITDA	Rs. Cr.	2.18	2.31	2.08
PAT	Rs. Cr.	0.32	0.93	0.84
EBITDA Margin	(%)	7.42	7.04	6.59
PAT Margin	(%)	1.09	2.85	2.67
ROCE	(%)	5.92	8.86	8.58
Total Debt/Tangible Net Worth	Times	3.95	3.00	3.32
PBDIT/Interest	Times	2.24	3.21	3.11
Total Debt/PBDIT	Times	9.10	6.16	6.46
Gross Current Assets (Days)	Days	370	282	271

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

None

Any other information

None

Applicable Criteria

- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-4.htm>
- Default Recognition - <https://www.acuite.in/criteria-default.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
05-09-2018	Term Loan	Long Term	1.93	ACUITE B- / Stable (Reaffirmed)
	Term Loan	Long Term	3.06	ACUITE B- / Stable (Reaffirmed)
	Term Loan	Long Term	0.18	ACUITE B- / Stable (Reaffirmed)

	Cash Credit	Long Term	1.83	ACUITE B- / Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	1.00	ACUITE B- / Stable (Assigned)
17-08-2018	Term Loan	Long Term	1.93	ACUITE B- / Stable (Assigned)
	Term Loan	Long Term	3.06	ACUITE B- / Stable (Assigned)
	Term Loan	Long Term	0.18	ACUITE B- / Stable (Assigned)
	Cash Credit	Long Term	1.83	ACUITE B- / 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
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.93	ACUITE B- / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.06	ACUITE B- / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.18	ACUITE B- / Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.10	ACUITE B- / Stable (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	11.73	ACUITE B- / Stable (Reaffirmed)

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About Acuite Ratings & Research:

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