

## Press Release

Prakash Technoplast India Private Limited

September 07, 2018

### Rating Assigned



Total Bank Facilities Rated*	Rs. 20.60 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to the Rs. 20.60 crore bank facilities of Prakash Technoplast India Private Limited (PTPI). The outlook is '**Stable**'.

PTPI was incorporated in 2010 by Mr. Prakash M Valecha and Mr. Jeetendra M Valecha. PTPI is engaged in manufacturing of plastic and bellow moulded products. The manufacturing plant is based out of Hosur (Tamil Nadu) and has the capacity of processing 4000 tons of plastic annually.

### Analytical Approach

For arriving at the rating, Acuite has considered the standalone financial and business risk profile of PTPI.

### Key Rating Drivers

#### Strengths

- **Experienced promoters**

The promoters have extensive experience of over two decades in aforementioned line of business. Before the incorporation in 2010, Mr. Prakash M Valecha was successfully running sole proprietorship firm by the name of Prakash Plastics since 1999.

- **Healthy relations with reputed clients**

PTPI has healthy relations with reputed clients in the industry. The clients of PTPI include Ashok Leyland Limited, Ashok Leyland Vehicles Limited, VST Tillers and Tractors and Tenneco Automotive India Private Limited among others. Ashok Leyland Limited has been associated with the company for more than a decade through Prakash Plastics.

- **Healthy profitability margins and coverage indicators**

PTPI has healthy profitability margins with EBITDA margin of 15.53 times and PAT margin of 9.75 times in FY2018 (Provisional). The gearing stood comfortable at 0.51 times in FY2018 (Provisional) as against 0.54 times in FY2017. Debt Service Coverage Ratio (DSCR) is comfortable at 10.02 times in FY2018 (Provisional) compared to 5.58 times in FY2017. Total outstanding liability to total net worth (TOL/TNW) ratio stood at 0.88 times in FY2018 (Provisional). Of the total debt in FY2018 (Provisional) of Rs.5.67 crore, short term debt contributes to around Rs.3.30 crore, long term debt is Rs.2.00 crore and remaining is in the form of unsecured loans from promoters.

#### Weaknesses

- **Moderate working capital cycle**

PTPI has moderate working capital cycle as marked by Gross Current Asset (GCA) days of 126 in FY2018 (Provisional) as compared to 114 days in FY2017. Debtor days stood at 96 in FY2018 (Provisional) as against 95 in the previous year. Inventory days have increased to 34 in FY2018 (Provisional) from 20 in FY2017. Creditor days have marginally increased to 15 in FY2018 (Provisional) as against 13 in FY2017.

#### • Susceptibility of margins to fluctuations in raw material

The company finds its application in automotive and non-automotive industry. The operating and profit margins of the company are susceptible to fluctuations in the raw material prices of plastic granules which are linked to fluctuations in crude oil prices.

#### Outlook: Stable

Acuite believes that PTPI will maintain a 'Stable' outlook over the medium term owing to its established clientele, experienced management and healthy coverage ratios. The outlook may be revised to 'Positive' in case of sustained profitability margins and coverage indicators. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in the working capital cycle.

#### About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	40.38	26.63	24.09
EBITDA	Rs. Cr.	6.35	5.11	4.04
PAT	Rs. Cr.	3.94	2.68	1.84
EBITDA Margin	(%)	15.73	19.17	16.77
PAT Margin	(%)	9.75	10.05	7.65
ROCE	(%)	41.96	42.27	69.95
Total Debt/Tangible Net Worth	Times	0.51	0.54	1.19
PBDIT/Interest	Times	18.89	20.67	7.32
Total Debt/PBDIT	Times	0.84	0.73	1.27
Gross Current Assets (Days)	Days	126	114	108

#### Any other information

Not Applicable

#### 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	3.00	ACUITE BBB-/ Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.60	ACUITE BBB-/ Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB-/ Stable

## Contacts

Analytical	Rating Desk
<p>Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-67141111 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a></p> <p>Kunal Khera Analyst - Rating Operations Tel: 022-67141116 <a href="mailto:kunal.khera@acuite.in">kunal.khera@acuite.in</a></p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a></p>

### About Acuité Ratings & Research:

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