

Press Release

Excel Plast

September 07, 2018

Rating Assigned



| | |
|-------------------------------------|-------------------|
| Total Bank Facilities Rated* | Rs.8.28Cr. |
| Long Term Rating | ACUITE BB-/Stable |

* Refer Annexure for details

Rating Rationale

Acuité has assigned long term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) to the Rs.8.28 crore bank facilities of Excel Plast (EP). The outlook is '**Stable**'.

EP was established as a Partnership firm in 1998 by Mr. K Ganesan and Mr. A Ramasamy. The firm is engaged in manufacture of injection molded plastic components largely for automotive and consumer durable sectors. The firm has two component manufacturing plants near Coimbatore, one in Gandhipuram and another in Vilankurichi.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of EP to arrive at this rating.

Key Rating Drivers:

Strengths:

Experienced management and established relationship with stakeholders:

Established in 1998, Excel Plast has a long operational track record of nearly two decades in the plastic molding components business. EP manufactures components majorly for automotive and consumer durable among others. The partners are involved in the functional areas of the business, and established longstanding relationship with suppliers and customers which helped in getting repeat orders from its clientele. It helped in improving the revenues at a compound annual growth rate (CAGR) of 12.40 percent over three years through FY2018. It has vintage clientele including Rane TRW Steering Systems Private Limited, Panasonic Home Appliances India Company Limited, RIALTO group among others who are associated with the firm for nearly a decade. The firm has healthy relationship with the suppliers for procurement of raw materials (plastic modules / granules) which helped in healthy operating margins at about 12-14 percent. Acuité believes that the firm is expected to benefit from the partners' established presence and the relationship with the stakeholders in improving its business risk profile over the medium term.

Weaknesses:

Average financial risk profile:

The financial risk profile of the firm is average marked by moderate gearing (debt-to-equity) and high total outside liabilities to total net worth (TOL/TNW) though underpinned by comfortable debt protection metrics. The gearing is marginally high at 1.80 times as on March 31, 2018 (Provisional), deterioration from 1.30 times as on March 31, 2017 owing to moderate capex executed of Rs.2.02 crore in FY2018. TOL/TNW is high at 2.87 times as on March 31, 2018 (Provisional) as against 1.92 times as on March 31, 2017. The net worth is modest at Rs.4.85 crore as on March 2018 (Provisional). The debt protection metrics are comfortable as interest coverage ratio (ICR) stood at 4.03 times and net cash accruals to total debt (NCA/TD) stood at 0.28 times in FY2018. Acuité believes that the financial profile of the firm is expected to be at similar levels over the medium term in the absence of significant debt-funded capex plans and modest scale of operations.

Working capital intensive operations:

The operations are working capital intensive marked by high Gross Current Assets (GCA) of 170 days in FY2018 (Provisional) and 159 days in FY2017; they are expected to be at similar levels due to the time taken for manufacture, staggered deliverables to its clientele and maintenance of inventory for increasing volumes. The inventory days over the past three years have been comfortable at about 40 days and receivable days are around 115 days. The working capital limits of Rs.2.50 crore of cash credit have been utilised at about 81 percent over six months through July 2018; however, the incremental working capital requirement for the revenue growth at 25-30 percent is expected to constrain the financial risk profile at similar levels over the medium term and the operations will continue to be working capital intensive.

Outlook: Stable

Acuite believes the outlook on Excel Plast will remain 'Stable' over the medium term on account of experienced management and long track record of operations. The outlook may be revised to 'Positive' in case of significant improvement in its revenues while maintaining the profitability and improving its capital structure. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital operations leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

| | Unit | FY18 (Provisional) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|--------------------|---------------|---------------|
| Operating Income | Rs. Cr. | 25.02 | 17.74 | 17.62 |
| EBITDA | Rs. Cr. | 3.21 | 2.62 | 2.39 |
| PAT | Rs. Cr. | 1.16 | 0.87 | 0.87 |
| EBITDA Margin | (%) | 12.82 | 14.75 | 13.54 |
| PAT Margin | (%) | 4.65 | 4.93 | 4.91 |
| ROCE | (%) | 15.97 | 13.68 | 25.96 |
| Total Debt/Tangible Net Worth | Times | 1.80 | 1.30 | 0.90 |
| PBDIT/Interest | Times | 4.03 | 4.50 | 5.14 |
| Total Debt/PBDIT | Times | 2.69 | 2.34 | 1.97 |
| Gross Current Assets (Days) | Days | 170 | 159 | 136 |

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-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-4.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 | 2.50 | ACUITE BB-/ Stable (Assigned) |
| Term Loan | Not Applicable | Not Applicable | Not Applicable | 5.78 | ACUITE BB-/ Stable (Assigned) |

Contacts

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About Acuité Ratings & Research:

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