

Press Release

Excel Plast

D-U-N-S® Number: 92-119-3269

February 15, 2019

Rating reaffirmed and assigned



Total Bank Facilities Rated*	Rs. 11.50 Cr. (Enhanced from Rs.8.28 Crs)
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BB-**' (read as **ACUITE BB minus**) to the Rs.8.28 crore bank facilities and assigned the long-term rating of '**ACUITE BB-**' (read as **ACUITE BB minus**) to the Rs.3.22 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, EP has a long operational track record of nearly two decades in the plastic molding components business. EP manufactures components majorly for automotive and consumer durables, among others. The partners are involved in the functional areas of the business, and established longstanding relationships 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 19.1 percent over three years through FY2018.

It has vintage clientele including Rane TRW Steering Systems Private Limited and Panasonic Home Appliances India Company Limited, 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. Further, for 10MFY2019, the firm has reported revenues of about Rs.31.50 crore and poised to report revenues of about Rs.36.00 crore for FY2019. 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-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 1.89 times as on March 31, 2018, deterioration from 1.30 times as on March 31, 2017 owing to moderate capex implemented of Rs.2.02 crore in FY2018. TOL/TNW is high at 3.15 times as on March 31, 2018 as against 1.92 times as on March 31, 2017. The net worth is modest at Rs.4.38 crore as on 31 March, 2018. The debt protection metrics are comfortable as interest coverage ratio (ICR) stood at 3.75 times and net cash accruals to total debt (NCA/TD) stood at 0.24 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 and accruals.

• Working capital intensive operations

The operations are working capital intensive marked by high Gross Current Assets (GCA) of 162 days in FY2018 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 uninterrupted supplies. 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 84 percent over six months through January 2019. 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.

Liquidity Position:

Excel Plast has moderate liquidity marked by moderate net cash accruals to its maturing debt obligations. It has generated cash accruals of Rs.1.96 crore in FY2018 while its maturing debt obligations are Rs.1.45 crore. The cash accruals of the firm are estimated to remain around Rs.2.50 to 4.00 crore during 2019-21, while its repayment obligations are estimated to be about Rs.1.80 crore. The firm's operations are relatively moderate working capital intensive as marked by Gross Current Assets (GCA) of 162 days in FY 2018. This has led to high reliance on working capital borrowings with fund based limit utilisation at 84 percent during the last 6-month period ended January 2019. The current ratio of Excel Plast stood at 1.25 times in FY2018 improved from 1.21 times in FY2017. Acuité believes that the liquidity profile of Excel Plast continues to be moderate over the medium term.

Outlook: Stable

Acuité believes that 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 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	25.01	17.74	17.62
EBITDA	Rs. Cr.	2.99	2.62	2.39
PAT	Rs. Cr.	0.69	0.87	0.87
EBITDA Margin	(%)	11.96	14.75	13.54
PAT Margin	(%)	2.77	4.93	4.91
ROCE	(%)	15.23	13.68	25.95
Total Debt/Tangible Net Worth	Times	1.89	1.30	0.90
PBDIT/Interest	Times	3.75	4.50	5.14
Total Debt/PBDIT	Times	2.69	2.34	1.98
Gross Current Assets (Days)	Days	162	159	136

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
07-Sep-2018	Cash Credit	Long Term	2.50	ACUITE BB- / Stable (Assigned)
	Term Loan	Long Term	5.78	ACUITE BB- / 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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BB- / Stable (reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	5.52	ACUITE BB- / Stable (reaffirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BB- / Stable Assigned
Term loans	Not Applicable	Not Applicable	Not Applicable	1.98	ACUITE BB- / Stable Assigned

Contacts

Analytical	Rating Desk
<p>Srihari Adari Head - Corporate and Infrastructure Sector Ratings Tel: 040-40042327 srihari.adari@acuite.in</p> <p>Bhavani Sankar Oruganti Senior Analyst - Rating Operations Tel: 040-40055452 bhavanisankar.oruganti@acuiterratings.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

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