

Press Release

Prince Corp Private Limited

November 14, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 170.00 Cr.
Long Term Rating	ACUITE BBB / Outlook: Stable
Short Term Rating	ACUITE A3+

* Refer Annexure for details

Rating Rationale

Acuite has assigned a long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and short-term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) to the Rs.170.00 crore bank facilities of Prince Corp Private Limited (PCPL). The outlook is '**Stable**'.

PCPL, formerly known as Princeware International Private Limited, is a Mumbai based company promoted by Mr. Raakesh Chheda, Mr. Nathalal Dudhagara, Ms. Neena Chheda and Mr. Divyaansh Chheda. The company was incorporated in 1992 and is engaged in designing, manufacturing and selling of plastic products in India and internationally to over 60 countries. The company mainly manufactures products in three categories viz. plastic house ware, thermo ware and luggage. It offers thermoware, including combo set of iceboxes, coolers, water bottles and kitchenware such as tiffin, ice trays, chopping boards, dish racks among others. It also offers material handling products, such as storage boxes, crates, multi-utility drums, basins, tubs, hipsters, and shopping baskets. The company sells its products through a network of distributors and through online retail platforms. The manufacturing unit is located at Daman. The Daman-based facility has capacity of 12,000 MT per year which is currently utilized at around ~77 percent.

PCPL is a part of Prince Group. Apart from PCPL, the group consists of five more companies' viz. Prism Design and Tooling Technology Private Limited (PDTTL), Prince Plastics India Private Limited (PPIPL), Prince Africa Limited (PAL), Prince Ware Africa (Kenya) Limited (PWAL) and Prince ware Global Holdings Limited (PGHL). PCPL has set up two subsidiaries at Kenya and Tanzania in Africa namely Prince Africa Limited (PAL) and PWAL. PAL is engaged into the same line of business with two manufacturing facilities in Tanzania and Kenya. PDTTL is an in-house mould design and development facility for PCPL, engaged in designing and manufacturing of high precision moulds and manufacturing of plastic moulds through injection moulding.

Analytical Approach

Acuite has consolidated the business and financial risk profiles of Prince Corp Private Limited and Prince Africa Limited together referred to as the 'Prince Group' (PG) to arrive at the rating. The consolidation is in view of the similarities in the line of business, operational and financial synergies and common management. Acuite has not considered the consolidation of PDTTL as it has a different line of business and all transactions with group companies are at arms-length. PWAL, PGHL, PPIPL currently have no business operations. Extent of Consolidation: Full.

Key Rating Drivers:

Strengths

- Established track record of operations and experienced management**

Established in 1971, PCPL has a long operational track record of more than five decades in the plastic manufacturing business. Prior to PCPL, the company was known as Princeware International Private Limited which was incorporated in 1971 and was engaged in the same line of business. PCPL has customer base Pan India and overseas: about ~70 percent of its revenue is derived from domestic market and 30 percent from the international market such as France, Panama and Australia to name a few. PG is promoted by Mr. Nathalal Dudhagara and Mr. Raakesh Chheda,

who also manages the day to day operations of the group. They possess more than three decades of experience in the aforementioned line of business. Further, the management of the group over the years has built a healthy relationship with major customers such as Future Retail Limited (FRL), Reliance Retail Limited (RRL), Avenue Supermarkets Limited (D-Mart), Aditya Birla Retail Limited (ABRL). Acuite believes that the group will continue to benefit through the promoter's extensive industry experience and established relation with its customers over the medium term.

• **Moderate financial risk profile**

The financial risk profile is marked by healthy net worth, moderate gearing and debt protection measures. The net worth of the group is healthy at around Rs.96.88 crore as on 31 March, 2018 as against Rs.87.04 crore as on 31 March, 2017. The group has followed a moderately aggressive financial policy as reflected by peak gearing of 1.51 times over the last three years through FY2017-18. The gearing of the group has further improved to around 1.30 times as on March 31, 2018 as against 1.41 times as on March 31, 2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.27 times as on 31 March, 2018 as against 2.58 times as on 31 March, 2017.

The healthy revenue levels coupled with stable operating margins have resulted in moderate debt protection measures. The profitability margins of the group have remained fairly stable over the past three years ended with the operating margin ranging between 11.50 to 12.50 percent through FY2018. Interest Coverage Ratio (ICR) remained moderate at 2.27 times in FY2018 and 2.22 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.14 times as on 31 March, 2018 as against 0.14 times as on 31 March, 2017. Debt Service Coverage Ratio (DSCR) stood at 1.39 times in FY2018 as against 1.25 times in FY2017.

Acuite believes that the financial risk profile of the group will continue to remain moderate over the medium term on account of its healthy scale of operations, and no major debt funded capex plans in near term.

Weaknesses

• **Working capital intensive nature of operation**

The working capital management is marked by Gross Current Assets (GCA) of 276 days in FY2018 as against 238 days in FY2017. The group maintains inventory of around 110 days on an average and extends clean credit of around 90 days to its customers, resulting in high GCA days. The inventory and debtor levels stood at 135 days and 109 days in FY2018 as against 114 days and 98 days in FY2017, respectively. Inventory is expected to be around similar levels over the medium term. The group's working capital requirement is funded through bank lines that have been 94 percent utilised over the six months through October 2018. Creditors were at 160 days as on March 31, 2018. Acuite believes that the working capital requirements will continue to remain high over the medium term on account of its high inventory requirements to cater to spot orders and moderate collection mechanism.

• **Competitive and fragmented nature of business**

The group is operating in competitive and fragmented nature of industry. There are several players engaged in the plastic products manufacturing industry in organised and unorganised sector. Hence, the group might face pricing pressure from other competitors. Therefore, having an established brand name is of utmost importance in this industry along with continuous addition of value added products in the product offerings.

• **Susceptibility of margins to volatility in raw material prices**

Profitability margins of the group are susceptible to volatility in raw material prices. The key raw materials Polypropylene and Polyethylene being derivatives of crude oil are highly volatile in nature. This is expected to have a negative impact on the overall profitability owing to a combination of high oil prices and a weak currency.

• **Exposure to subsidiaries**

As on March 31, 2018, PCPL had exposure of Rs 46.20 crore to its subsidiaries, in the form of investment and advances, a significant portion of the investment in group company was utilised to

fund Princeware Global Holding Limited and Prince Africa Limited. Furthermore, Acuite believes that increase in group company exposure has constrained PCPL's financial risk profile and timely recovery of these investments and advances will remain a key rating sensitivity factor.

Outlook: Stable

Acuite believes that the outlook on PCPL will remain 'Stable' over the medium term on account of its promoter's extensive experience, moderate financial risk profile and established operational track record. The outlook may be revised to 'Positive' in case of substantial and sustained growth in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	290.00	319.97	304.92
EBITDA	Rs. Cr.	36.23	38.34	35.06
PAT	Rs. Cr.	6.97	6.74	5.89
EBITDA Margin	(%)	12.49	11.98	11.50
PAT Margin	(%)	2.41	2.11	1.93
ROCE	(%)	12.12	13.27	12.86
Total Debt/Tangible Net Worth	Times	1.30	1.41	1.51
PBDIT/Interest	Times	2.27	2.22	2.21
Total Debt/PBDIT	Times	3.33	3.12	3.47
Gross Current Assets (Days)	Days	276	238	221

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

Not Applicable

Any other information

None

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

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>

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
Term Loans	Not Applicable	Not Applicable	Not Applicable	4.05	ACUITE BBB/ Stable (Assigned)
Term Loans	Not Applicable	Not Applicable	Not Applicable	1.73	ACUITE BBB/ Stable (Assigned)
Term Loans	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB/ Stable (Assigned)
Term Loans	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BBB/ Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	36.00	ACUITE BBB/ Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE BBB/ Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BBB/ Stable (Assigned)
Working Capital Demand Loan	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB/ Stable (Assigned)
Overdraft	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB/ Stable (Assigned)
Standby line of Credit	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE A3+ (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	32.00	ACUITE A3+ (Assigned))
Bank Guarantee/Letter of credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3+ (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A3+ (Assigned)
Proposed	Not Applicable	Not Applicable	Not Applicable	4.75	ACUITE BBB/ Stable (Assigned)
Proposed	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3+ (Assigned)
Proposed	Not Applicable	Not Applicable	Not Applicable	1.47	ACUITE A3+ (Assigned)

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About Acuité Ratings & Research:

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