

Press Release
Prince Corp Private Limited
 February 26, 2020
Rating Upgraded



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

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long-term rating to '**ACUITE BBB**' (**read as ACUITE triple B**) from '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and short-term rating to '**ACUITE A3+**' (**read as ACUITE A three plus**) from '**ACUITE A3**' (**read as ACUITE A three**) on the Rs. 170.00 crore bank facilities of PRINCE CORP PRIVATE LIMITED (PCPL).

The rating revision is in view of receipt of critical information.

PCPL, formerly known as Princeware International Private Limited, is a Mumbai based company promoted by Mr. Raakesh Chheda, Mr. Nathalal Dudhagara, Mrs. 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 presently operates at ~79 percent. PCPL sells plastic house ware and thermo ware under the brand name 'Princeware' and luggage under the brand names 'Eminent', 'Princeware' and 'Pronto'.

Analytical Approach

Acuité 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. PG 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 Princeware Global Holdings Limited (PGHL).

Acuité 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

About the Group

PCPL is a part of PG. PCPL has a subsidiary at Tanzania in Africa namely PAL which is engaged into the same line of business. PDTTL has mould design and development facility for PCPL, engaged in designing and manufacturing of high precision moulds and manufacturing of plastic moulds through injection moulding.

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 ~60 percent of its revenue is derived from domestic market and 40 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. The management has 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).

Acuité 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 moderate marked by healthy net worth, moderate gearing and debt protection measures. The tangible net worth of the group is healthy at around Rs.104.82 crore as on 31 March, 2019 as against Rs.94.78 crore as on 31 March, 2018. The tangible net worth includes unsecured loans from promoters, friends and relatives of Rs.15.52 crores which are treated as quasi equity. The group has followed a moderately aggressive financial policy as reflected by peak gearing of 1.48 times over the last three years through FY2017- 19. The gearing of the group has further improved to around 1.23 times as on March 31, 2019 as against 1.39 times as on March 31, 2018. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.06 times as on 31 March, 2019 as against 2.40 times as on 31 March, 2018.

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 FY2017-19. Interest Coverage Ratio (ICR) and Debt Service Converge Ratio (DSCR) stood moderate at 2.20 times and 1.58 times in FY2019 respectively. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.14 times as on 31 March, 2019 as against 0.13 times as on 31 March, 2018.

Acuité 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 operations**

The working capital operation are intensive marked by Gross Current Assets (GCA) of 285 days in FY2019 as against 283 days in FY2018. 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 137 days and 110 days as on 31 March, 2019 as against 135 days and 109 days as on 31 March, 2018, 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 ~99 percent utilised over the six months ended 31, December, 2019. However, the creditors stood at 150 days as on March 31, 2019 which provides a credit support to a certain extent.

Acuité 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 operations**

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.

• Susceptible 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.

Rating Sensitivities

- Further deterioration in Gross Current Asset (GCA) to 310-330 days.
- Sustained improvement in the scale of operations while maintaining profitability leading to improvement in overall financial risk profile.

Material Covenants

None

Liquidity position: Adequate

PG has adequate liquidity marked by net cash accruals as compared to its maturing debt obligations. The group generated cash accruals of Rs. 16.96 crore – Rs. 17.6 crore during the last three years through 2017-19, while the maturing debt obligations were in the range of Rs. 4.79-6.89 crore over the same period. The cash accruals are estimated to improve to Rs. 19.61 – 25.35 crores during 2020- 22, while its repayment obligations are expected to be in the range of Rs. 4.98-5.02 crores. The group maintains cash and bank balances of Rs. 0.99 crore as on March 31, 2019. The current ratio stood moderate at 1.13 times as on March 31, 2019. Acuité believes that the liquidity of the group is likely to remain adequate over the medium term on account of improvement in net cash accruals.

Outlook: Stable

Acuité believes that the outlook on PG 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	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	292.02	290.00
PAT	Rs. Cr.	8.77	6.97
PAT Margin	(%)	3.00	2.41
Total Debt/Tangible Net Worth	Times	1.23	1.39
PBDIT/Interest	Times	2.20	2.27

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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>
- Consolidation of Companies - <https://www.acuite.in/view-rating-criteria-22.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
15-Jan-2020	Term Loan	Long Term	4.05	ACUITE BBB- (Downgraded from ACUITE BBB & Indicative)
	Term Loan	Long Term	1.73	ACUITE BBB- (Downgraded from ACUITE BBB & Indicative)
	Term Loan	Long Term	2.00	ACUITE BBB- (Downgraded from ACUITE BBB & Indicative)
	Term Loan	Long Term	3.00	ACUITE BBB- (Downgraded from ACUITE BBB & Indicative)
	Cash Credit	Long Term	36.00	ACUITE BBB- (Downgraded from ACUITE BBB & Indicative)
	Cash Credit	Long Term	9.00	ACUITE BBB- (Downgraded from ACUITE BBB & Indicative)
	Cash Credit	Long Term	20.00	ACUITE BBB- (Downgraded from ACUITE BBB & Indicative)
	Working Capital Demand Loan	Long Term	10.00	ACUITE BBB- (Downgraded from ACUITE BBB & Indicative)
	Secured Overdraft	Long Term	5.00	ACUITE BBB- (Downgraded from ACUITE BBB & Indicative)
	Standby Line of Credit	Short Term	14.00	ACUITE A3 (Downgraded from ACUITE A3+ & Indicative)
	Letter of Credit	Short Term	32.00	ACUITE A3 (Downgraded from ACUITE A3+ & Indicative)
	Bank Guarantee	Short Term	5.00	ACUITE A3 (Downgraded from ACUITE A3+ & Indicative)
	Letter of Credit	Short Term	20.00	ACUITE A3 (Downgraded from ACUITE A3+ & Indicative)
	Proposed Bank Facility	Long Term	4.75	ACUITE BBB- (Downgraded from ACUITE BBB & Indicative)
	Proposed Bank Facility	Short Term	2.00	ACUITE A3 (Downgraded from ACUITE A3+ & Indicative)
	Proposed Bank Facility	Short Term	1.47	ACUITE A3 (Downgraded from ACUITE A3+ & Indicative)
14-Nov-2018	Term Loan	Long Term	4.05	ACUITE BBB /Stable (Assigned)
	Term Loan	Long Term	1.73	ACUITE BBB /Stable (Assigned)
	Term Loan	Long Term	2.00	ACUITE BBB /Stable (Assigned)
	Term Loan	Long Term	3.00	ACUITE BBB /Stable (Assigned)

Cash Credit	Long Term	36.00	ACUITE BBB /Stable (Assigned)
Cash Credit	Long Term	9.00	ACUITE BBB /Stable (Assigned)
Cash Credit	Long Term	20.00	ACUITE BBB /Stable (Assigned)
Working Capital Demand Loan	Long Term	10.00	ACUITE BBB /Stable (Assigned)
Secured Overdraft	Long Term	5.00	ACUITE BBB /Stable (Assigned)
Standby Line of Credit	Short Term	14.00	ACUITE A3+ (Assigned)
Letter of Credit	Short Term	32.00	ACUITE A3+ (Assigned)
Bank Guarantee	Short Term	5.00	ACUITE A3+ (Assigned)
Letter of Credit	Short Term	20.00	ACUITE A3+ (Assigned)
Proposed Bank Facility	Long Term	4.75	ACUITE BBB /Stable (Assigned)
Proposed Bank Facility	Short Term	2.00	ACUITE A3+ (Assigned)
Proposed Bank Facility	Short Term	1.47	ACUITE A3+ (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	Dec, 2017	Not Applicable	Dec, 2022	2.81	ACUITE BBB / Stable (Upgraded from ACUITE BBB-)
Term Loan I	Apr, 2014	Not Applicable	Feb, 2020	0.29	ACUITE BBB / Stable (Upgraded from ACUITE BBB-)
Term Loan II	Nov, 2015	Not Applicable	Feb, 2021	1.00	ACUITE BBB / Stable (Upgraded from ACUITE BBB-)
Term Loan III	Sept, 2016	Not Applicable	Jun, 2022	2.00	ACUITE BBB / Stable (Upgraded from ACUITE BBB-)
Term Loan IV	Mar, 2019	Not Applicable	Jan, 2025	3.65	ACUITE BBB / Stable (Upgraded from ACUITE BBB-)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	36.00*	ACUITE BBB / Stable (Upgraded from ACUITE BBB-)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.00^	ACUITE BBB / Stable (Upgraded from ACUITE BBB-)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00#	ACUITE BBB / Stable (Upgraded from ACUITE BBB-)
Working Capital Demand Loan	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB / Stable (Upgraded from ACUITE BBB-)
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	5.00&	ACUITE BBB / Stable (Upgraded from ACUITE BBB-)

Standby Letter of Credit (SBLC)	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE A3+ (Upgraded from ACUITE A3)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	32.00	ACUITE A3+ (Upgraded from ACUITE A3)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3+ (Upgraded from ACUITE A3)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3+ (Upgraded from ACUITE A3)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	20.00@	ACUITE A3+ (Upgraded from ACUITE A3)
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	5.78	ACUITE BBB / Stable (Upgraded from ACUITE BBB-)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.47	ACUITE A3+ (Upgraded from ACUITE A3)

* Sub-limit to Cash credit (Rs.36.00 crore) as EPC/PCFC of Rs.36.00 crore, WCDL of Rs.25.00 crore and FBP/FBN of Rs.36.00 crores.

^ Sub-limit to Cash credit (Rs.9.00 crore) as PC/PCFC/FBP/FBD of Rs.9.00 crore.

Sub-limit to Cash credit (Rs.20.00 crore) as WCDL of Rs.20.00 crore and FCNR of Rs.20.00 crores.

& Sub-limit to overdraft (Rs.5.00 crore) as WCDL/FPC/PCFC/EBD of Rs.4.00 crore.

@ Sub-limit to Letter of Credit (Rs.20.00 crore) as Overdraft/WCDL of Rs.12.00 crores and Import/Inland Letter of credit of Rs.20.00 crores.

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Grishma Muni Analyst - Rating Operations Tel: 022-49294035 grishma.muni@acuite.in	

About Acuité Ratings & Research:

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