

## Press Release

### Pyramid Technoplast Private Limited

January 06, 2023



## Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	77.40	ACUITE BBB+   Stable   Assigned	-
Bank Loan Ratings	38.00	-	ACUITE A2+   Assigned
Total Outstanding Quantum (Rs. Cr)	115.40	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## Rating Rationale

Acuite has assigned its long term rating of '**ACUITÉ BBB+**' (read as **ACUITE triple B Plus**) and short term rating of '**ACUITÉ A2+**' (read as **ACUITE A Two Plus**) on the Rs 115.40 Cr. bank facilities of Pyramid Technoplast Private Limited (PTPL). The outlook is '**Stable**'.

### Rating Rationale:

The rating assigned reflects PTPL's healthy business risk profile, steady growth in profitability margins and steep growth in operating income. The revenue of the company grew by approx. 28% in FY 2022 as against FY 2021. The growth in revenue is primarily driven by demand of the products. Further, the rating factors in the longstanding relationship with reputed clientele namely Grasim Industries Limited, Deepak Nitrite Limited, Galaxy Surfactants Limited etc. Further, the company is increasing its production capacity of Intermediate Bulk Containers (IBC) which has high demand and may result in further growth in revenue in near to medium term. However, the rating is constrained due to the competition in the industry and the vulnerability of demand to cyclicalities in end-user industries. Further, the working capital management of the company remains moderate.

### About the Company

Pyramid Technoplast Pvt Ltd is professionally managed multi product, multi location polymer processing innovative organization in the business for over two decades with successful track record for its best managed practices in industry, promoted by the Agarwal family. Commenced the humble beginning in the year 1996-97 with modest commercial production of its first unit at Silvassa in the name of Yash Synthetics Pvt Ltd. Expanded existing facility and brought over Anmol Monower Plastics Pvt Ltd in 2001. Merged all units and formed Pyramid Technoplast Pvt.Ltd in 2004 a leading business house in all the processing technologies including blow / injection and extrusion moulding processes. Conceived IBC project in 2014 and commenced production in early 2016 booking entire production facility in short time resulting expansion. Metal drum facility planned and expected to go for commercial production by November 2018. Today consuming industry recognises Pyramid Technoplast Pvt Ltd as one stop shop for all their packaging solutions and needs for having capability and capacity to meet their demanding quality and quantity all the

time. Strategically located plant gives added advantages to industry for Just-in-time delivery at competitive prices.

### **Analytical Approach**

Acuité has taken a standalone view of the business and financial risk profile of PTPL to arrive at the rating.

### **Key Rating Drivers**

#### **Strengths**

##### **Long track record of operations and experienced management**

The promoters of PTPL are in the packaging and container industry in the manufacturing domain since more than 2 decades, thus, having an established track record of operations. With the long track record of operations, the company is considered as one of the leading players in the aforementioned industry. The extensive experience of the promoter has enabled the company to establish healthy relationships with reputed customers such as Grasim Industries Limited, Galaxy Surfactants Limited, Deepak Nitrite Limited etc. The extensive experience of the promoters is also reflected through an increase in revenue by approx. 28% in FY 2022 at Rs. 401.59 Cr as against Rs. 313.52 Cr in FY 2021. The company also exports its products by the methods of deemed exports through third party participation. Also, the company supplies to a few Government Departments / Companies.

Acuité believes that the group will continue to benefit from the promoters' experience and established track record of operations in improving its business risk profile over the medium term.

##### **Healthy financial risk profile**

The financial risk profile of the company is healthy marked by healthy net worth, moderate gearing and strong coverage indicators. The tangible networth of the company stood at Rs. 76.36 Cr as on March 31, 2022 as against Rs. 49.80 Cr as on March 31, 2021. The increase in networth is majorly due to accretion of profits to the reserves. The gearing (Debt-Equity ratio) stood at 0.85 times as on March 31, 2022 as against 1.00 times as on March 31, 2021. The TOL/TNW ratio was recorded at 1.49 times as on March 31, 2022 as against 2.03 times as on March 31, 2021. The total debt of the company as on March 31, 2022 was Rs. 64.77 Cr as against Rs. 49.94 Cr as on March 31, 2021. The term loan portion of the total debt was Rs. 18.14 Cr as on March 31, 2022, out of which, the current portion of long term debt included is Rs. 6.64 Cr. The Interest Coverage Ratio remains strong at 10.01 times in FY 2022 as against 7.00 times in FY 2021. Further, the Debt Service Coverage Ratio (DSCR) stood at 3.15 times for FY 2022 as against 2.16 times for FY 2021. The Net Cash Accruals to Total Debt (NCA/TD) ratio was recorded at 0.47 times for FY 2022 as against 0.40 times for FY 2021.

Acuite believes the financial risk profile of the group may moderate in near to medium term with debt-funded capex plan of Rs 22.60 Cr.

##### **Capex for expansion of IBC capacity**

The company is in the process of setting up a new factory plant in Bharuch, Gujarat at an estimated cost of Rs. 22.60 Cr with means of finance being 75% by methods of term loan and 25% by net cash accruals. This will increase the IBC capacity and resultantly increase the revenue of the company. The expansion will increase the production capacity of IBC by 12,000 units per month, which translates into revenue of approx. Rs. 88.00 Cr per annum at an average utilization rate of 75%.

#### **Weaknesses**

##### **Moderate Working Capital Operations**

The company has moderate working capital operations marked by Gross Current Asset (GCA) days of 121 days in FY 2022 as against 110 days in FY 2021. The increase in GCA days is primarily on account of increase in Inventory Days. The inventory days stood at 38 days in FY 2022 as against 28 days in FY 2021. Further, the debtor days stood at 69 days in FY 2022 as against 75 days in FY 2021 which is in line with the average credit period allowed of 30-90 days. Also, the creditor days in FY 2022 was 37 days and in FY 2021 was 68 days.

Acuité believes that the company's working capital will remain moderate over the medium term considering the nature of business.

### **Highly competitive and fragmented nature of industry**

The company is operating in highly competitive and fragmented industry. It is exposed to intense competition from several organized and unorganized players operating in the industry. The industry maintains low entry barriers, which may increase competition and resultantly affect the market share of the company. Further, the major raw materials are steel and HDPE granules which are susceptible to price volatility. The HDPE granules are susceptible to crude oil and polymer price volatility.

### **Rating Sensitivities**

- Improving scale of operations while maintaining profitability
- Any debt funded capex plan impacting the financial risk profile
- Elongation in working capital cycle

### **Material covenants**

None

### **Liquidity Position**

#### **Adequate**

The company has an adequate liquidity marked by sufficient net cash accruals to its maturing debt obligations and efficient bank utilisations; albeit constrained by moderate working capital operations. The company generated cash accruals of Rs. 9.72 Cr to 30.63 Cr during the last three years through 2020-22, while it's maturing debt obligations being Rs. 6.64 Cr to Rs. 6.79 Cr per annum during the same period. The cash accruals are estimated to remain around Rs. 32.37 Cr to Rs. 39.14 Cr during 2023-24 while their repayment obligations are Rs. 5.50 Cr to Rs. 6.50 Cr during the same period. Comfortable cash accruals led to lower reliance on working capital borrowings at approx. 50% during the last 6 months period ended September 30, 2022. PTPL maintains unencumbered cash and bank balances of Rs. 0.38 Cr as on March 31, 2022. The current ratio stood comfortable at 1.36 times as on March 31, 2022.

Acuite believes, liquidity position of the company to remain adequate over the medium term.

### **Outlook: Stable**

Acuité believes that PTPL will continue to benefit over the medium term from the promoter's experience and established track record in the aforementioned industry. The outlook may be revised to 'Positive' if the company achieves significant improvement its revenues and operating profitability and sustained improvement in its cash accruals while maintaining its healthy financial risk profile. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve the expected revenue, and, profitability and the financial risk profile deteriorate.

### **Other Factors affecting Rating**

None

### **Key Financials**

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	401.59	313.52
PAT	Rs. Cr.	26.60	15.72
PAT Margin	(%)	6.62	5.02
Total Debt/Tangible Net Worth	Times	0.85	1.00
PBDIT/Interest	Times	10.01	7.00

### **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-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

**Note on complexity levels of the rated instrument**

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

**Rating History:**

Not Applicable

**Annexure - Details of instruments rated**

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Federal Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.70	ACUITE BBB+   Stable   Assigned
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	13.00	ACUITE BBB+   Stable   Assigned
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	35.00	ACUITE BBB+   Stable   Assigned
Federal Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	3.36	ACUITE BBB+   Stable   Assigned
Axis Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	2.35	ACUITE BBB+   Stable   Assigned
Axis Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	27.00	ACUITE A2+   Assigned
Federal Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	11.00	ACUITE A2+   Assigned

Axis Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.99	ACUITE BBB+   Stable   Assigned
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	17.00	ACUITE BBB+   Stable   Assigned

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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