Press Release

PYRAMID TECHNOPLAST LIMITED

April 05, 2024

Rating Reaffirmed and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	77.40	ACUITE A- | Stable | Upgraded	-
Bank Loan Ratings	38.00	-	ACUITE A2+ | Reaffirmed
Total Outstanding Quantum (Rs. Cr)	115.40	-	-

Rating Rationale

Acuité has upgraded its long-term rating to '**ACUITÉ A-' (read as ACUITE A minus)** from **'ACUITÉ BBB+' (read as ACUITE Triple B Plus)** and reaffirmed short-term rating of '**ACUITÉ A2+' (read as ACUITE A Two Plus)** on the Rs 115.40 Cr. bank facilities of Pyramid Technoplast Limited (PTL). The outlook is '**Stable**'.

Rationale for upgrade :

The rating upgrade takes into account the improved revenue and healthy financial profile of PTL. The operating income of PTL has been consistently growing since the last two years from FY2023 and has been sustained during current year.. The company revenue stood at Rs.480.83 Cr. in FY2023 implying a growth rate of ~19.73 percent against the previous year. The revenue till Dec 2023 (YTD) stood at Rs. 398.77 Cr. and targeting to close the year by Rs. 535-539 Cr. 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. The operating margins ranged between 10.67-10.72 percent for the last two years ended FY2023.

The rating also factors in the ongoing capex which is expected to aid in the growth of scale of operations over the medium term. The ratings are supported healthy financial risk profile of PTL with healthy debt protection metrics and minimal gearing. The overall gearing of the Company stood at 0.52 times as on March 31, 2023 as against 0.85 times as on March 31, 2022. The interest coverage ratio stood at 12.87 times in FY2023 as against 10.01 times in FY2022.

The rating remains constrained by the working capital-intensive nature of operations and highly competitive and fragmented nature of industry.

About the Company

Pyramid Technoplast Ltd (ERSTWHILE Pyramid Technoplast Private Limited) 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 Ltd in 2004 a leading business house in all the processing technologies including blow / injection and extrusion moulding processes. It expanded its product profile and commenced IBC manufacturing in FY2016 and metal drums from FY2019. Today consuming industry recognises Pyramid Technoplast 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. The Company was listed on the NSE and BSE in August 2023 when it raised Rs.91.30 Cr for 55,00,000 equity shares. The funds raised were primarily utilized towards repayment of term loans , working capital and for setting up of its manufacturing plant (Unit -7) in Bharuch.

Unsupported Rating

Not applicable

Analytical Approach

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

Key Rating Drivers

Strengths

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

  The promoters of PTL 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 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.

- **Improvement scale of operations and stable operating margins**

  The revenue of the company improved to Rs. 480.83 Cr. in FY2023 as against Rs.401.59 Cr. in FY2022 registering a growth of 19.73 percent y-o-y basis. Further, the revenue till Dec 2024 is Rs. 398.77 Cr. and is targeting Rs. 535-539 Cr. in FY2024. And EBITDA margins are expected to be in range of 8.55 – 8.83 percent in FY2024. The operating margin of the company stood at 10.72 percent in FY2023 against 10.67 percent in FY2022. The PAT margin stood at 6.61 percent in FY2023 as against 6.62 percent in FY2022. The clientele of PTL primarily includes reputed names in the chemical industry, which mitigates the counterparty credit risk to an extent. Acuite believes that the PTL will be able to maintain the operating performance over the medium term on account of the diversified customer base and stable operating profit margin.

- **Healthy financial risk profile**

  The financial risk profile of the company has remained healthy with healthy capital structure and low gearing and moderate debt protection metrics. The net worth of the company stood at Rs.107.19 Cr. and Rs.76.36 Cr. as on March 31, 2023 and 2022 respectively. The net worth is expected to improve in FY2024 on account of infusion of equity vide raising of funds through IPO. The company in August, 2023 raised Rs. 91.30 Cr of equity funds vide IPO. The gearing of the company stood at 0.52 times as on March 31, 2023 against 0.85 times as on March 31, 2022. Debt protection metrics – Interest coverage ratio and debt service coverage ratio stood at 12.78 times and 3.81 times as on March 31, 2023 respectively as against 10.01 times and 3.15 times as on March 31, 2022 respectively. Tol/ TNW stood at 1.11 times as on March 31, 2023 as against 1.49 times as on march 31, 2022. The debt to EBITDA of the company stood at 1.07 times as on March 31, 2023 as against 1.50 times as on March 31, 2022. Acuite believes that the financial risk profile of the company will continue to remain healthy on account of absence of any debt-funded capex plan.

Weaknesses

- **Working capital intensive operations**

  The working capital management of the PTL remained intensive GCA days at 111 days as on March 31, 2023 as against 121 days as on March 31, 2022. The debtor's day stood at 59 days as on March 31, 2023 as against 69 days as on March 31, 2022. Subsequently, the payable period stood at 49 days as on March 31, 2023 as against 37 days as on March 31, 2022 respectively. Further, the average bank limit utilization in the last ten months ended Feb 24 remained at 16 percent for fund based.

- **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

Liquidity Position: Adequate

The company has generated adequate net cash accruals to service its debt obligations. The net cash accruals stood at Rs.36.69 Cr. in FY2023 as against the Rs.6.64 Cr. repayment obligations for the same period. The company is expected to generate cash accruals in the range of Rs.34-44 Cr. against CPLTD of Rs.5.93 Cr. over the medium term. Unencumbered cash and bank balances stood at Rs. 0.24 Cr. as on March 31, 2023. The average fund-based working capital utilization of PTL is 16 percent for the past ten months ending Feb 2024. The current ratio of the company stood at 1.57 times as on March 31, 2023. Acuité believes that company's liquidity will remain sufficient over the medium term backed by repayment of its debt obligations and improving accruals.

Outlook: Stable

Acuité believes that PTL 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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	480.83	401.59
PAT	Rs. Cr.	31.76	26.60
PAT Margin	(%)	6.61	6.62
Total Debt/Tangible Net Worth	Times	0.52	0.85
PBDIT/Interest	Times	12.78	10.01

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-52.htm
• Entities In Manufacturing Sector:- 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, Acuité 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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Jan 2023	Cash Credit	Long Term	5.70	ACUITE BBB+ | Stable (Assigned)
	Cash Credit	Long Term	13.00	ACUITE BBB+ | Stable (Assigned)
	Term Loan	Long Term	0.99	ACUITE BBB+ | Stable (Assigned)
	Cash Credit	Long Term	35.00	ACUITE BBB+ | Stable (Assigned)
	Covid Emergency Line.	Long Term	3.36	ACUITE BBB+ | Stable (Assigned)
	Covid Emergency Line.	Long Term	2.35	ACUITE BBB+ | Stable (Assigned)
	Term Loan	Long Term	17.00	ACUITE BBB+ | Stable (Assigned)
	Letter of Credit	Short Term	11.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	27.00	ACUITE A2+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	13.00	ACUITE A- | Stable | Upgraded (from ACUITE BBB+)
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	35.00	ACUITE A- | Stable | Upgraded (from ACUITE BBB+)
Federal Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.70	ACUITE A- | Stable | Upgraded (from ACUITE BBB+)
Federal Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	11.00	ACUITE A2+ | Reaffirmed
Axis Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	27.00	ACUITE A2+ | Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	23.70	ACUITE A- | Stable | Upgraded (from ACUITE BBB+)

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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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