

Press Release

Premier Plastic Industries

September 19, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 18.80 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA BB**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 18.80 crore bank facilities of Premier Plastic Industries. The outlook is '**Stable**'.

Premier Plastics Industries (PPI) is a Hyderabad-based partnership firm established in 1981 by Mr. K N Agarwal. The firm is engaged in the manufacturing of HDPE pipes and implements rural water supply projects on turnkey basis by undertaking tender based contracts for the Telangana, Andhra Pradesh and Kerala governments. Currently, the operations are managed by the second generation comprising Mr. Ravinder Agarwal and his son, Mr. Vinay Agarwal. The firm has installed capacity of 1,000 tons of HDPE pipes per annum.

Key Rating Drivers

Strengths

- **Experienced management**

The partners, Mr. Ravinder Agarwal and Mr. Vinay Agarwal have more than three decades of experience in the said line of business.

- **Revenue visibility in the near term**

The firm has healthy orders in hand of Rs 280 crore (received on sub contract basis) from NCC limited for execution of Hyderabad Metro water supply and sewerage system. Till March 2017, the firm has executed work constituting nearly Rs 90 crore. The project is expected to be completed by FY2018-19 thereby ensuring healthy revenue visibility in the medium term.

- **Above average financial risk profile**

The above average financial risk profile is marked by healthy debt protection metrics, low gearing and low net worth. The interest coverage ratio and DSCR stood at 3.76 times and 2.85 times respectively in FY2016 as compared to 3.64 times and 2.76 times respectively in FY2015. The gearing stood low and improved to 1.04 times in FY2016 compared to 1.61 times in FY2015. The net worth stood low at Rs 5.25 crore in FY2016 as against Rs 3.83 crore in FY2015.

Weaknesses

- **Working capital intensive operations**

The operations are working capital intensive marked by GCA days of 133 in FY2016 as against 138 in FY2015. The high GCA days can be attributed to the high inventory days of 95-100 days during the period under review (FY2014- FY2016). The high inventory is on account of the inventory to be maintained of raw materials - granules and finished stock of HDPE pipes. The firm fully utilises its working capital limit of Rs 5.80 crore.

• Risk of capital withdrawal

The firm is exposed to withdraw of capital at will considering the partnership nature of business.

Analytical Approach

For arriving at the rating, SMERA has considered the standalone business and financial risk profiles of PPI.

Outlook: Stable

SMERA believes that PPI will maintain a stable outlook and continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the firm registers sustained improvement in profit margins. Conversely, the outlook may be revised to 'Negative' in case of failure in achieving the projected revenue and profitability for delay in implementing the project in hand, or deterioration in the financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

For FY2016, PPI reported Profit after Tax (PAT) of Rs.1.53 crore on total operating income of Rs.42.93 crore compared with PAT of Rs.1.62 crore on total operating income of Rs. 41.17 crore in FY2015.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.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
Overdraft	Not Applicable	Not Applicable	Not Applicable	5.80	SMERA BB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	13.00	SMERA A4+

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ABOUT SMERA

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