

## Press Release

### National Plastics

September 12, 2018

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 6.32 Cr.
<b>Long Term Rating</b>	ACUITE B- / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B-**' (read as **ACUITE B minus**) on the Rs. 6.32 crore bank facilities of National Plastics. The outlook is '**Stable**'.

Ahmedabad based, National Plastics (NP), a partnership firm was established in 1978 by Mr. Jayantibhai Patel and Mrs. Pushpaben Patel. The firm was taken over by current partners, Mr. Ankit Patel and Mrs. Pushpaben Patel in 2014. The firm is engaged in the manufacturing of water tanks and chemical storage tanks with capacity ranging from 100 litres to 35000 litres, mainly catering to hardware stores and chemical factories.

## Key Rating Drivers

### Strengths

- **Experienced management**

The Partners of the firm possess experience of more than three decades in the aforementioned line of business. Acuite believes that NP will benefit from its established position in the said business, experienced management and established relationships with customers and suppliers.

- **Geographical advantage**

The firm's office is situated in Ahmedabad's Gujarat Industrial Development Corporation (GIDC) area. The location of the project has access to main raw material i.e. polyethylene granules along with adequate availability of power and labor and is well connected via road and rail with easy access to other raw material.

### Weaknesses

- **Average financial risk profile**

NP has average financial risk profile marked by tangible net worth of Rs.3.50 crore as on 31 March, 2018 (Provisional) as against Rs.4.01 crore as on 31 March, 2017. The gearing (debt to equity) stood at 1.52 times as on 31 March, 2018 (Provisional) as against 0.71 times as on 31 March, 2017. The total debt as on 31 March 2018 (Provisional) of Rs. 5.30 crore mainly consists of term loans of Rs.1.51, unsecured loans of Rs.3.09 crore and working capital borrowings of Rs.0.70 crore. Interest Coverage Ratio (ICR) stood at 3.41 times in FY2018 (Provisional) as against 2.39 times in FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.72 times as on 31 March, 2018 (Provisional) as against 0.76 times as on 31 March, 2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.14 times as on 31 March, 2018 (Provisional) as against 0.20 times as on 31 March, 2017. Acuite believes that going ahead NP will maintain a stable financial risk profile in near to medium term in absence of major debt funded capex plans.

- **Working capital intensive operations**

NP's operations are working capital intensive marked by high Gross Current Assets (GCA) of 238 days in FY2018 (Provisional) compared to 168 days in FY2017. The GCA days are mainly dominated by high inventory days of 147 days in FY2018 (Provisional) compared to 77 days in FY2017. The average cash credit utilisation for the past six months stood at ~80.00 percent. Acuite believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

#### • Susceptibility to volatility in raw material prices

The major raw material required by NP is polyethylene granules. The prices of these are dependent on crude oil prices which are highly volatile. Furthermore, the limited suppliers of these raw materials makes it a seller's market with limited bargaining power for buyers.

#### Analytical Approach

Acuite has considered the standalone business and financial risk profiles of National Plastics to arrive at the rating.

#### Outlook: Stable

Acuite believes that NP will maintain a 'Stable' business risk profile over the medium term as it will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the firm registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the revenues or profit margins, or in case of deterioration in financial risk profile and liquidity position.

#### About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	4.17	3.89	2.70
EBITDA	Rs. Cr.	1.20	0.97	0.48
PAT	Rs. Cr.	0.20	0.27	0.09
EBITDA Margin	(%)	28.87	24.98	17.91
PAT Margin	(%)	4.71	7.05	3.24
ROCE	(%)	8.35	10.48	5.36
Total Debt/Tangible Net Worth	Times	1.52	0.71	0.89
PBDIT/Interest	Times	3.41	2.39	1.92
Total Debt/PBDIT	Times	4.34	2.85	5.30
Gross Current Assets (Days)	Days	238	168	166

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

None

#### Any other information

None

#### 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>

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

<https://www.acuite.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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE B- / Stable
Term loans	Not	Not	Not	1.89	ACUITE B- / Stable

	Applicable	Applicable	Applicable		
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.93	ACUITE B- / Stable

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## About Acuité Ratings & Research:

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