

Press Release

Parekhplast India Limited

April 06, 2021

Rating

Facilities	Amount (Rs. crore)	Rating	Rating Action
Long term Bank Facilities	28.38	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	Assigned
Short term Bank Facilities	6.42	IVR A4+ (IVR A four plus)	Assigned
Total	34.80 (Thirty- Four Crore and Eighty lakhs)		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Parekhplast India Limited (PIL) derives comfort from long track record of promoters in packaging manufacturing industry, reputed clientele base with relatively low counter party payment risks and healthy Profitability Metrics coupled with stable performance over the years. These rating strengths are partially offset by leveraged capital structure and revenue concentration risk.

Key Rating Sensitivities

Upward factors

- Growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals which is significantly higher than Infomerics expectation could lead to a positive rating action.

Downward factors

- Dip in operating income and/or profitability impacting the debt coverage indicators or liquidity, subdued industry scenario could lead to a negative rating action,
- Deterioration in capital structure

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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long track record of promoters in packaging manufacturing industry

Parekhplast India Limited incorporated in year 1991. Company is engaged in the manufacturing of plastic packaging products catering to the demand of various industries namely Paints, Pharmaceutical, Food packaging, and various other industries. Promoters have experience in the packaging industry of over three decades reflected in the long-term relationship with reputed clientele and suppliers.

Reputed clientele base with relatively low counter party payment risks

PIL has developed healthy relationship with leading players across industries reflected in the presence of renowned clients in the industry namely Asian Paints, Berger Paints, AgroTech Foods, Britannia, Lupin and various other clients.

Healthy Profitability Metrics coupled with stable performance over the years

PIL has reported the total income in the range of Rs. 130 crore to Rs. 136.00 crore over the last three years. Also, despite the limited income in Q1FY21, company has reported to achieve total income at Rs. 96.00 crore for 9 months FY21 (Provisional). Company has reported comfortable profitability marked by EBITDA margins in the range of 15% to 17% over last three fiscals.

Key Weaknesses

Leveraged capital structure

Company has reported leverage capital structure marked by presence of term loans. Overall gearing of the company stood at 2.10x and total indebtedness reflected in TOL/TNW stood at 2.83x as on March 31, 2020.

Revenue concentration risk

PIL generates over 60% of revenue from single client i.e. Asian Paints. High concentration of revenue on single client limits the flexibility of the pricing policies of the company. However,

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having well established relationship with reputed clientele provides comfort towards sustainability in income and profitability.

Applicable Criteria:

Rating Methodology for Manufacturing Sector

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Adequate

The liquidity position of the company is moderate marked by the sufficient gross cash accruals expected to meet the debt obligations. PIL has comfortable operating cycle at 27 days as on March 31, 2020. Also, average working capital utilization for the last 12 months stood at around 50% reflecting sufficient cushion to meet incremental requirements.

About the Company

PIL incorporated in year 1981, engaged into manufacturing of rigid plastic packaging having presence in the industry of over three decades. PIL has well established relationship with leading market players across industries such as Paints, Pharmaceuticals, Nutraceuticals, Healthcare, Food, cosmetics, and others.

Financials (Standalone):

(Rs. crore)

For the year ended*	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	138.06	135.54
EBITDA	22.86	20.71
PAT	6.11	3.48
Total Debt	66.86	50.48
Tangible Net worth	20.66	24.08
EBITDA Margin (%)	16.56	15.28
PAT Margin (%)	4.40	2.56
Overall Gearing Ratio (x)	3.24	2.10

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

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Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Cash Credit	Long Term	7.25	IVR BB+ / Stable	-	-	-
2.	Term loan	Long Term	21.13	IVR BB+ / Stable	-	-	-
3.	LC/BG	Short Term	6.42	IVR A4+	-	-	-

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities- Cash Credit	-	-	-	7.25	IVR BB+ / Stable
Long Term Bank Facilities- Term loan	-	-	March, 2024	21.13	IVR BB+ / Stable
Short Term Bank Facilities- LC/BG				6.42	IVR A4+