



Infomerics Valuation And Rating Pvt. Ltd.

Atlas Pet Plas Industries Limited

December 17, 2018

Rating

| Instrument / Facility | Amount (Rs. Crore) | Ratings | Rating Action |
|---------------------------|-----------------------|---|------------------|
| Long Term Bank Facilities | 12.50 | IVR BB/Stable (IVR Double B with Stable Outlook) | Assigned |
| Total | 12.50 | | |

Details of Facilities are in Annexure 1

Detailed Rationale

The rating draws comfort from the sustained growth in the Company's scale of operations and the extensive experience of its promoters. These strengths are partially offset by customer concentration risk in the Company's revenue profile, its working capital intensive operations, small net worth and modest debt protection metrics and stretched liquidity. Scaling up of operations, profitability and working capital management are the key rating sensitivities.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters

The promoters of APPIL are part of a joint family setup, which has been in business for over nine decades.

Mr. Gurmeet Singh, Chairman of APPIL was involved in the transport business till 1998. He then switched from transport to manufacturing in 1998 and was part of a family run proprietorship known as Armstrong Wires which converted into a Private Limited Company in January 2004. It is expected that the company will continue to benefit from its promoters' extensive experience going forward.



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Sustained growth in operating income

The total operating income of APPIL has grown at a CAGR of 6.7 per cent over the three years through 2018 to Rs.31.20crore. This growth is driven by the promoter's extensive experience in the industry and their established relationship with customers, as reflected in increase in volume sales in FY18. The top line of the Company is expected to witness growth over the medium term.

Key Rating Weaknesses

Customer concentration in revenue profile

APPIL is exposed to customer concentration risk in its revenue profile as it derives ~ 54 per cent of its revenue from top 5 customers. Further, two customers contributed ~ 41 per cent to its sales in FY18. The customer concentration is likely to continue in the near to medium term.

Working capital intensive operations

The operation of the company is working capital intensive as APPIL needs to hold a sizable inventory to respond to customer demand effectively. Further, the company extends credit period of about 90 days to its customers which also increases its working capital requirements. The operating cycle of the company remained stretched at over 170 days in the past two years ended FY18.

Vulnerability of operating profitability to volatility in steel prices

The operating margins of APPIL are susceptible to volatility in the prices of steel. During 2017-18, domestic steel prices rose ~18% on a y-o-y basis. This resulted in an increase in raw material expenses and the EBIDTA margin of the company declined to 10.24% in FY18 from 12.45% in FY17. The operating profitability of the company is likely to remain vulnerable to volatility in raw material prices going forward.



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Modest financial risk profile

APPIL has a modest financial risk profile marked by a small net worth of Rs.8.93core as on March 31, 2018 which restricts its financial flexibility to raise additional funds. Further, the company had an overall gearing of 1.44x as on March 31, 2018 and modest debt protection metrics with Total Debt / GCA of 8.02x.

Stretched liquidity; though expected to improve over medium term

The Company has stretched liquidity as reflected in almost full utilization of its bank limits for the twelve months ended Oct'18. Though, debt protection metrics are likely to improve over the medium term driven by increase in accruals on account of growth in operating income, it will remain modest.

Analytical Approach &Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity

The company has exhibited steady profitability and posted modest cash accruals in the near past. This provides some amount of liquidity comfort to the company.

About the Company

Atlas Pet Plas Industries Limited (APPIL) was started by Atlas Cycles Haryana Ltd, Group in 1994. Initially, the company was engaged in manufacturing of plastic bottles. Subsequently in 2009, the promoters leveraged their experience in the steel industry and set up a unit for manufacturing of CDW tubes. In 2010, the business operations were taken over by Mr.Gurmeet Singh, Mr.Gursimran Singh, and Mr.Tejbir Singh and the company underwent major transformation and restructuring. APPIL manufactures CDW (Cold Drawn Welded) steel tubes for use in automotives, boiler & heat exchangers, shock absorbers, air heaters, cylinder bore, etc



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and has its manufacturing unit at Bawal, District Rewari (Haryana) with an installed capacity of 750 tonnes per month.

Financials (Standalone):

| For the year ended* | (Rs. crore) | |
|---------------------------|----------------|----------------|
| | 31-03-2017 | 31-03-2018 |
| | Audited | Audited |
| Total Operating Income | 29.33 | 31.20 |
| EBITDA | 3.65 | 3.20 |
| PAT | 0.97 | 0.91 |
| Total Debt | 12.72 | 12.89 |
| Tangible Net worth | 8.03 | 8.93 |
| EBITDA Margin (%) | 12.45 | 10.24 |
| PAT Margin (%) | 3.31 | 2.90 |
| Overall Gearing Ratio (x) | 1.58 | 1.44 |

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

| Sr. No. | Name of Instrument/Facilities | Current Rating (Year 2018-19) | | | Rating History for the past 3 years | | |
|---------|-------------------------------|-------------------------------|--------------------------------|--------|---|---|---|
| | | Type | Amount outstanding (Rs. Crore) | Rating | Date(s) & Rating(s) assigned in 2017-18 | Date(s) & Rating(s) assigned in 2016-17 | Date(s) & Rating(s) assigned in 2015-16 |



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| Sr. No. | Name of Instrument/Facilities | Current Rating (Year 2018-19) | | | Rating History for the past 3 years | | |
|---------|---|-------------------------------|--------------------------------|---------------|---|---|---|
| | | Type | Amount outstanding (Rs. Crore) | Rating | Date(s) & Rating(s) assigned in 2017-18 | Date(s) & Rating(s) assigned in 2016-17 | Date(s) & Rating(s) assigned in 2015-16 |
| 1. | Long Term Fund Based Limits – Cash Credit | Long Term | 12.50 | IVR BB/Stable | | | |

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 | - | - | - | 12.50 | IVR BB/Stable |