

Press Release

Ori Plast Ltd

February 18, 2019

Rating

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Fund Based Facilities (Including proposed limit of Rs.6.00 crore)	36.00	IVR A- / Stable (IVR Single A Minus with Stable Outlook)	Assigned
Short Term Non Fund Based Facilities	18.00	IVR A2+ (IVR A Two Plus)	Assigned
Total	54.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating derives comfort from its established track record in the plastic pipes business, satisfactory working capital management, financial risk profile marked by moderate gearing and robust debt protection metrics and huge opportunity for shift of trade to organized players. The ratings however are tempered by intense competition and fluctuation in raw material prices. Growth in scale of operations, trend in profitability and gearing level are the key rating sensitivities.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Established track record in the plastic pipes business

The group has been in existence for over 50 years now and has successfully built a strong brand name owing to the delivery of high quality products. The group has a strong distribution network, with around 67 dealer groups. Around 80% of its sales is through these dealer groups, while the rest is from project specific/institutional sales.

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Satisfactory working capital management

Working capital management is efficient, backed by low working capital cycle (46 days in FY18). The company managed its receivable cycle well which got reflected in the average debtor days of around 22 in FY18, on account of majority of sales being made on cash-and-carry basis. The average inventory holding period remained comfortable at 56 days as at March 31, 2018, due to all inventory being order backed.

Financial risk profile marked by moderate gearing and robust debt protection metrics

The group has a comfortable net worth (adjusted) of Rs.50.67 crore as at March 31, 2018. Overall gearing remained moderate at 0.81 times as on March 31, 2018 though increased from 0.68 times as on March 31, 2017 on account of the new capex being undertaken by OPL at Raipur. Interest coverage remained comfortable at 5.08x aided by healthy accruals. Long term debt equity ratio is comfortable at 0.33x as on March 31, 2018.

Huge opportunity for shift of trade to organized players

With GST being implemented, the organized segment is well poised to confront the high presence of unorganized (informal) players. This will cause a shift in the competitive landscape of the industry and the company, with its strong brand recall, established sales network and introduction of innovative products, is expected to take advantage of this opportunity well.

Key Rating Weaknesses

Intense competition

The pipes industry is marked by intense competition. Entry barriers are low, with low capital intensity, no technological barriers and supportive government schemes. As a result, there is a large unorganized sector in the industry.

Fluctuation in raw material prices

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Ethylene is the raw material required for production of polyvinyl chloride. PVC is subject to high volatility in prices on account of price changes in Crude oil, Ethylene etc. However, given that the company's production is usually order backed, it does not take any open position to build inventory helping it to shield itself from volatility in raw material prices.

Analytical Approach & Applicable Criteria:

Consolidated:

Infomerics has combined the financial and business risk profiles of Oriplast Ltd (OPL), Adventec Polymers Pvt Ltd (APPL) and Param Polymers Pvt Ltd (PPPL) because of common management and similar product profiles. This is because the three companies, collectively referred to as the Ori Plast group, have a common management and similar product profiles.

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity

The company at a consolidated level has a modest level of turnover and profit level; however, the margin has been perennially low due to the fragmented nature of industry. Debt protection parameters are comfortable and the company has about 20% of working capital limit being unutilised, besides the limit being low vis-à-vis the scale of operation. Unutilised portion of limit does not per se provide any significant comfort in terms of volume; however, it provides flexibility in fund raising due to limit itself being low and comfortable capital structure. The group is also expected to generate sufficient accruals going forward. Overall, the company is not expected to face any difficulty in meeting its near-term debt obligation.

About the Company

Oriplast Limited (OPL), incorporated in 1988, is engaged in the manufacturing of Polyvinyl chloride (PVC) Pipes, Polyethylene (PE) pipes and fittings. Prior to incorporation, the business was managed under proprietorship and partnership firms. The group was founded

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by, Mr. SR Agarwal in 1965. The group comprises three companies, namely Oriplast Limited (OPL), Adventec Polymers Pvt Ltd (APPL) and Param Polymers Pvt Ltd (PPPL). APPL and PPPL were formed majorly to get the benefit of SME schemes, from where most State Governments encourage the procurement of PVC piping for water supply and irrigation projects.

Financials (Consolidated):

For the year ended*	(Rs. crore)	
	31-03-2017	31-03-2018
	Audited	Audited
Total Operating Income	218.18	241.95
EBITDA	15.36	17.27
PAT	6.06	6.87
Total Debt	29.94	38.46
Tangible Net worth	43.78	47.67
EBITDA Margin (%)	7.04	7.14
PAT Margin (%)	2.77	2.84
Overall Gearing Ratio (x)	0.68	0.81

*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
1.	Long Term Fund Based Limits - Cash Credit	Long Term	12.00	IVR A-/ Stable Outlook	-	-	-
2.	Long Term Fund	Long	6.00	IVR A-/ Stable Outlook			

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	Based Limits – Cash Credit (Proposed)	Term		Stable Outlook	-	-	-
3.	Long Term Fund Based Limits – Term Loan	Long Term	18.00	IVR A-/ Stable Outlook			
4.	Short Term Non Fund Based Limits- Bank Guarantee	Short Term	4.00	IVR A2+			
5.	Short Term Non Fund Based Limits- LC	Short Term	14.00	IVR A2+			

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 Fund Based Limits–Cash Credit	-	-	-	12.00	IVR A-/ Stable Outlook
Long Term Fund Based Limits – Cash Credit (Proposed)	-	-	-	6.00	IVR A-/ Stable Outlook
Long Term Fund Based Limits – Term Loan	-	-	Quarterly instalments ending in FY26	18.00	IVR A-/ Stable Outlook
Short Term Non Fund Based Limits- Bank Guarantee	-	-	-	4.00	IVR A2+
Short Term Non Fund Based Limits- LC	-	-	-	14.00	IVR A2+