

## Rating Rationale

Mico Plast Industries Private Limited

28Dec2018

**Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹16.11 Crores of Mico Plast Industries Private Limited (MPIPL)**

### Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (June 2017)	Present
Fund based	16.25	13.11	Long Term	<b>BWR B</b> (Pronounced as BWR Single B) Outlook: Stable	<b>BWR B</b> (Pronounced as BWR Single B) Outlook: Stable Reaffirmed
Non-Fund Based	3.00	3.00	Short Term	<b>BWR A4</b> (Pronounced as BWR A Four)	<b>BWR A4</b> (Pronounced as BWR A Four) Reaffirmed
<b>Total</b>	<b>19.25</b>	<b>16.11</b>	<b>INR Sixteen Crores and Eleven Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for the definition of the ratings

Complete details of Bank facilities are provided in Annexure-I

*Note: MPIPL has not provided projected financials and bank sanction letter is dated 1.3.2017 and the bank informs that renewal is under process, however more than 8 months past from the date of last sanction validity date*

### Ratings: Reaffirmed

#### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results up to FY18 of Mico Plast Industries Pvt Ltd, publicly available information and clarifications as provided by the management.

The rating factors in the operational track record of the Company, promoter's experience, reputed clientele base, and improved profit margins. The rating, however, is constrained by the declined sales in FY18, the moderate scale of operations of the Company, high gearing, delayed repayment of term loan installment and stretched working capital cycle.

Going forward, the ability of the Company to scale up its operations, strengthen its capital structure and manage the working capital cycle efficiently will be the key rating sensitivities.



## Description of Key Rating Drivers

### Credit Strengths:

- The company was incorporated in 1991, has an operational track record of more than three decades.
- The promoters of the Company have around three decades of experience in the industry.
- The clientele of the Company consists of entities like Perfetti Van Melle India Pvt Ltd, Bharat Petroleum Corporation Limited, Indus Coffee Private Limited (G) etc.
- Operating profit margin has improved from 12.14% in FY17 to 13.12% in FY18 on account of better pricing on raw material. With reduced depreciation and interest charges in FY18, the Company has registered a net profit of ₹0.10 Cr in FY18 against the loss of ₹0.54 Cr in FY17. Thereby the net profit margin stands improved at 0.21% in FY18.

### Credit Risks:

- Net sales of the Company has declined from ₹51.55 Cr in FY17 to ₹46.35Cr in FY18. Considering the track record of the Company, the scale of operations is at a moderate level.
- Total outside liabilities to total net worth, though improved from 3.37 times in FY17, stands at 2.88 times in FY18.
- Delays observed in repayment of the term loan in the month of May, July & Aug 2018
- On account of increased inventory and receivable days, the Cash conversion cycle of the Company stands increased from 55 days in FY17 to 71 days in FY18.

## Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

### Rating Outlook: Stable

BWR believes the **Mico Plast Industries Private Limited** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

## About the Company

Mico Plast Industries Private Limited, located in Chennai (Tamil Nadu), was incorporated in June 1991. The Company is engaged in manufacturing of flexible packaging materials like Polypropylene bags, tubes, LDPE films, Lamination pouches, Rolls and Sheets. The manufacturing facility of the Company is located at Vyasarpudi, Chennai with an overall installed capacity of 3000 Metric Tonnes Per Annum and achieved 95% of the installed capacity. The second manufacturing unit, near Gummidipondi, has an installed capacity of 6000 Metric Tonnes Per Annum and the Company has utilized 60% of the installed capacity during FY18 business operations. The company sells its products to domestic customers based in



Tamil Nadu including its group concern Maruthi Plastics & Packaging (Chennai) Pvt Ltd. The main raw materials of MPIPL are polyethylene tubes, LLDPE granules, solvent & adhesives, and ink which are procured domestically and also from its group concern Mico Poly Pack.

Mr. R Agarchand is the Managing Director of the Company and has 3 decades of experience in the industry. Other directors of the Company are Mr. R Naresh Kumar, Mrs. A Suraj Kumari, and Mrs. N Sumitra and have considerable years of experience in the industry.

### Company Financial Performance

As per audited financials of FY18, the Company has achieved a total operating income of ₹46.82 Cr with an operating profit of ₹6.14 Cr and a net profit of ₹0.10 Cr.

### Rating History for the last three years

S.No	Facility	Current Rating (2018)			Rating History		
		Type	Amount (₹ Crs)	Rating	1.10.2018	30.6.2017	2016
1.	Fund Based	Long Term	13.11	<b>BWR B (Pronounced as BWR Single B) Outlook: Stable Reaffirmed</b>	Rating Not Review	<b>BWR B (Pronounced as BWR Single B) Outlook: Stable</b>	Not Rated
2.	Non-Fund Based	Short Term	3.00	<b>BWR A4 (Pronounced as BWR A Four) Reaffirmed</b>		<b>BWR A4 (Pronounced as BWR A Four)</b>	
<b>Total</b>			<b>16.11</b>	<b>₹ Sixteen Crores and Eleven Lakhs Only</b>			

Status of non-cooperation with previous CRA - None

Any other information - None

### Key Financial Indicators

Key Parameters	Units	FY18	FY17
Result Type		Audited	Audited
Operating Revenue	₹ Cr	46.82	51.96
EBITDA	₹ Cr	6.14	6.31
PAT	₹ Cr	0.10	-0.54
Tangible Net worth	₹ Cr	8.53	8.43
Total Debt/Tangible Net worth	Times	1.85	2.31
Current Ratio	Times	0.92	0.95

### Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)

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

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).



**About Brickwork Ratings**

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**Annexure I**

₹ Cr

Bank Name	Facilities	Tenure	Previous Amount	Present Amount
Corporation Bank	Cash Credit	Long Term	9.75	9.75
	Term Loan		6.50	2.76
	Mortgage Loan		-	0.60
	FLC	Short Term	3.00	3.00
<b>Total</b>			<b>19.25</b>	<b>16.11</b>