

## Mitsu Chem Plast Ltd.

Instrument	Amount In Rs. Crore	Rating Action
Fund Based Limit – Cash Credit	22.50	[ICRA]BB(Stable) Assigned
Fund Based Limit-Working Capital Demand	(11.25)	[ICRA]BB(Stable) Assigned
Fund Based Limit-Term Loans	4.58	[ICRA]BB(Stable) Assigned
Fund Based Limit-Working Capital Term Loans	2.25	[ICRA]BB(Stable) Assigned
Non-Fund Based Limit – Letter of Credit*	(6.00)	[ICRA]A4+ Assigned
Non-Fund Based Limit – Letter of Credit	1.00	[ICRA]A4+ Assigned
Non-Fund Based Limit- Bank Guarantee	0.55	[ICRA]A4+ Assigned
Non-Fund Based Limit – Forward Booking Limit	0.50	[ICRA]A4+ Assigned

\*Sublimit of Cash Credit

ICRA has assigned the long-term rating of [ICRA]BB (pronounced ICRA double B) to the Rs.29.33 crore fund based limits of Mitsu Chem Plast Ltd (MCPL). ICRA has also assigned the short-term rating of [ICRA]A4+(pronounced ICRA A four plus) to the Rs.2.05 crore non-fund based limits of the company. The outlook on the long term rating is stable.

The assigned ratings take into consideration the extensive experience of MCPL's promoters in the plastic industry and the company's moderately diversified and reputed customer base. Diversified product profile allows the company to cater to customers across various industry segments. The company has established relations with its customers and receives repetitive orders from them. The ratings also derive comfort from the company's plants located in proximity to its customers.

The ratings, however, are constrained by the fragmented industry structure on account of low entry barriers and intense competition exerting pressure on its profitability. Moreover, the profitability is exposed to fluctuations in raw material prices, which are majorly crude oil derivatives. The ratings further take into account the company's leveraged capital structure with a gearing of 3.59 times as on March 31, 2016, on account of debt funded capex undertaken by the company and high working capital requirements necessitated by growing scale of operations. However, ICRA notes that 30% of the total debt included 13.5% interest-bearing unsecured loans from directors. Due to high interest cost and moderate profit, the coverage indicators stood subdued in FY2016. The ratings, further, take note of high working capital intensive operations of the company due to high receivables and high inventory requirement.

Going forward, the company's revenue growth will be driven by positive demand outlook for plastic moulded products. However, the profitability levels are expected to remain moderate due to the competitive intensity in the business. Furthermore, the company's ability to manage its overheads and input costs, given the high volatility associated with raw materials; manage its working capital requirements and support from promoters for funding the expected mismatch in cash flows will be some of the key rating sensitivities. Any debt-funded capex undertaken by the company in the near term can further deteriorate the capital structure and coverage indicators.

### About the Company:

Promoted as Mitsu Chem Pvt Ltd (MCPL) in 1988, Mr. Jagdish Dedhia took over the company in 1990 from its erstwhile promoters and commenced operations by setting up a manufacturing unit at Tarapur, Maharashtra. In May 2016, the constitution was changed to a public limited company and it was renamed as Mitsu Chem Plast Ltd. In August 2016, the company came out with an Initial Public Offering (IPO) of 1,000,800 equity shares amounting to 28.39% of the post-issue paid capital. The shares have been issued at Rs. 95 per share; however, the company did not receive any proceeds and the same were paid to the selling shareholders.

MCPL's product profile includes blow moulded, injection moulded and customised moulding products. The company has three manufacturing units with an installed capacity of 8,357 metric tonne per annum (MTPA). It is an ISO 9001:2008 and ISO TS/16494 (only for unit III) certified polymer-based moulded products manufacturing company.



**Recent Results:**

MCPL recorded a net profit after tax of Rs.1.91 crore on an operating income of Rs.88.87 crore in FY2016.

**September 2016**

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