All Time Plastics Private Limited

April 29, 2019

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term, Fund-based and Non-fund Based	0.00	1.50	[ICRA]BBB(Stable); Reaffirmed
Long-term, Fund-based - Term Loan	22.73	28.78	[ICRA]BBB(Stable); Reaffirmed
Long-term and Short-term, Fund-based and Non-fund Based - Working Capital Facilities	34.50	55.00	[ICRA]BBB(Stable)/[ICRA]A3+; Reaffirmed
Short-term, Non-fund Based Limits	5.00	3.00	[ICRA]A3+; Reaffirmed
Long-term and Short-term, Unallocated	1.52	0.00	-
Total	**63.75**	**88.28**	

** Instrument details mentioned in Annexure-1*

Rationale

The ratings reaffirmation continues to take into account the established experience of All Time Plastics Private Limited's (All Time's) promoters in the plastic processing industry and the operational synergies derived from the acquisition of Pyramid Plastics (PP), leading to consolidation of operations and improvement in operating scale FY2015 onwards. The ratings also draw comfort from All Time's extensive association with reputed customers having a worldwide presence and it being one of the key suppliers for IKEA for its Indian as well as Asia Pacific operations. Besides the favourable industry prospects characterised by steady demand for household plastic products, ICRA anticipates an increase in the company's domestic sales from IKEAs growing presence in the Indian markets, along with All Time's in-house brand sales through its own as well as other online marketing platforms. The ratings also take into account the sustainable improvement in operating profitability in FY2018 and 9M FY2019 as well as the significant portion of debt (~30%) in the capital structure constituted by unsecured loans from the directors' families, which are subordinated to the bank loans.

The ratings, however, are constrained by the rise in debt levels in FY2018 due to debt-funded capex as well as increased working capital borrowings owing to delay in receipt of Goods and Services Tax (GST) refunds, leading to the gearing remaining at high levels. The ratings also continue to factor in the vulnerability of profitability margins to movements in the prices of its key raw materials, polymer granules (PP, LLDPE and HDPE). The company is also exposed to foreign exchange fluctuations, though partially mitigated by pass-through arrangements, formula-based pricing mechanism, and benefits from natural hedge and forward booking, respectively. The ratings also remain constrained by the exposure to competitive pressures from unorganised as well as large, organised players in the domestic market and other low-cost international players, though dealing with reputed players acts as an entry barrier. In the domestic market, a large part of the polymer processing sector comprises small unorganised players, resulting in high fragmentation and pricing pressures due to low entry barriers.

Going forward, a judicious funding mix for the ongoing as well as planned capex and an efficient working capital management will be the key rating sensitivities. While the company benefits from Government support in the form of the Merchandise Export from India Scheme (MEIS), any change in the MEIS structure will impact its revenues and profitability.

Outlook: Stable

ICRA expects All Time to continue to benefit from its extensive experience in the plastic manufacturing industry, its established relationships with polymer suppliers and reputed customers, and the positive outlook for household plastic products. The outlook may be revised to Positive if there is substantial growth in revenue, sustainability in profitability and better working capital management, strengthening the overall financial risk profile. The outlook may be revised to Negative if there is further rise in gearing levels on account of debt-funded capex, pressure on working capital increases reliance on external borrowings or weakening performance of key customers impacts its fairly high capacity utilisation levels or asset turnover ratio. Lack of adequate returns from the capex or withdrawal of unsecured loans from business could lead to cash flow mismatches, and is also a negative rating trigger.

Key rating drivers

Credit strengths

Established experience of promoters in plastic processing industry - All Time is a closely-held private limited company promoted by brothers, Mr. Kailesh Shah, Mr. Bhupesh Shah and Mr. Nilesh Shah. The established experience of the promoters in the plastic processing industry has led to the company's extensive association with reputed customers in the international markets as well as Middle East-based polymer suppliers.

Operational synergies from consolidation of operations - To benefit from economies of scale and synergies, the entire operations of PP were sold to All Time under a Business Transfer Agreement in March 2014 where most of PP's assets and liabilities were sold on a slump sale basis. Post this transfer, the installed capacity increased from 4,872 MTPA (Silvassa facility solely) to 14,000 MTPA in FY2015 and 15,000 MTPA (Daman and Silvassa facility) in FY2016. Consequently, All Time recorded an operating income (OI) of Rs. 203.38 crore in FY2015, a YoY growth of 196% on a standalone basis and an 18% growth from the FY2014 consolidated (All Time and PP) OI.

Priority supplier for IKEA-India and Asia Pacific operations - The company's sales are export driven with 85-90% of the total sales generated from international markets. The company has an established customer base with ~70% sales directed to reputed multinational players, with IKEA as the top customer (enjoys an over 18-year old relationship). All Time is one of the two priority suppliers for IKEA-India operations and one out of the four in the Asia Pacific region. Further with IKEA's entry into the domestic market, the company's domestic sales are likely to ramp up. With increased offtake from IKEA, the top-line grew by 17% in FY2018. Besides associations with IKEA's approved polymer suppliers, order forecasting, pass-through arrangements (which help sustain profitability) and scale economies led to improved operating margins at ~14% in FY2018 and 9M FY2019 (from ~13% in FY2017), which translated into net margins of ~6% during the same period.

Favourable industry prospects with steady demand for household plastic products, Government support in the form of export incentives - The company's fairly high capacity utilisation and the steady demand for household plastic products will be key drivers to maintain growth in its operating scale in the near term. The company is also likely to increase its domestic presence with the entry of its largest international customer, which will enhance its growth prospects in the long term. The company, being an exporter, is also entitled to export incentives and benefits under the MEIS, supporting its revenue and profitability.

Credit challenges

Increase in debt levels in FY2018; however, capital structure draws comfort from unsecured loans from related parties - The debt levels witnessed a 41% increase YoY owing to increase in long-term debt availed for capex as well as increased working capital borrowings. The pending GST refunds led to working capital blockage and subsequent high reliance on external borrowings, which led to a sharp increase of 68% in the working capital borrowings from the FY2017 levels (increased to Rs. 51-52 crore currently from ~Rs. 31 crore). Nevertheless, the capital structure remained intact and draws comfort from the unsecured loans (subordinated) maintained in business. As on March 31, 2018, net worth base stood at Rs. 51.20 crore and unsecured loans on the books stood at Rs. 31.41 crore. Further, the interest coverage indicator remained adequate at ~4x in FY2018 and the debt service cover was moderate with DSCR of above 2x, while the cash accruals position stood at 22-23% in FY2018 and 9M FY2019 (provisional).

Exposed to raw material price fluctuations; other direct costs impact profitability margins - Raw material cost is the largest component of the cost structure of a plastic processing company. Hence, fluctuations in such prices have a critical bearing on profitability. The prices of most plastics follow the international crude oil prices, albeit with a lag. Moreover, as prices are import parity based, fluctuations in forex rates impact domestic prices. Large petrochemical producers are price takers rendering little or no bargaining power to manufacturers, like All Time. However, All Time's periodic price revision policy with key customers partially mitigates the raw material price risk and helps in maintaining its operating profitability.

Margins exposed to forex fluctuation risk; however, mitigated by natural hedge and forward contracts - Being a net exporter with much of its revenues denominated in foreign currency (mostly US dollar), All Time's revenues and margins remain exposed to the vagaries of currency markets. This risk is partially mitigated by a natural hedge through imports. Further, the forex exposure pertaining to export bills is usually hedged using forward contracts, while the import exposure is built in the formula-based pricing, which mainly provides comfort against the vagaries of forex rates.

Competition in domestic market and from other low-cost international players poses threat - A large part of the plastic sector comprises small unorganised players, primarily catering to local demand. Low entry barriers have resulted in high fragmentation in the domestic industry, while there is competition from low-cost international players in the global markets. Although All Time faces risk of product duplication and intense competition from the unorganised domestic segment, it has benefitted from established relationships with large multinational chains, ensuring regular and repeat orders.

Liquidity position

The company's liquidity position remains adequate with ~Rs. 5 crore of unutilised sanctioned working capital limits as of March 2019. Additionally, the company reported steady growth in accruals, which are adequate to meet the scheduled debt repayments. The company has planned a capex to be incurred in FY2020, to be funded through bank debt (75%), which will increase its debt repayments. However, ICRA does not foresee any major concerns on liquidity anticipating steady accruals and liquidity buffer, alongside debt repayments pertaining to the existing and proposed term loans.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	Not applicable
Consolidation/Standalone	Standalone

About the company

All Time Plastics Private Limited is a closely-held company incorporated in 2001 by brothers, Mr. Kailesh Shah, Mr. Bhupesh Shah and Mr. Nilesh Shah. The company manufactures moulded plastic household products, which include containers, cutting board, hangers and strainers, as well as products used in kitchen and home utility, tableware, bathware, waste management, bulk storage and material handling. All Time commenced commercial operations in March 2011 from its Silvassa manufacturing facility, which is a 100% export-oriented unit. At present, All Time operates two plants, one at Daman and another at Silvassa, with a consolidated capacity of 19,550 MTPA.

The company is a part of the All Time Group of companies, which initially had two other companies under its umbrella - B.T. Plastic & Allied Industries and PP. In May 2010, PP took over the business of its sister concern. Furthermore, to benefit from scale economies and synergies, the entire operations of PP were sold to All Time under a Business Transfer Agreement in March 2014, wherein most of PP's asset and liabilities were sold on a slump sale basis.

In FY2018, the company reported a net profit of Rs. 14.9 crore on an OI of Rs. 255.3 crore, compared to a net profit of Rs. 10.5 crore on an OI of Rs. 218.0 crore in the previous year.

Key financial indicators (Audited)

	FY2017	FY2018
Operating Income (Rs. crore)	218.0	255.3
PAT (Rs. crore)	10.5	14.9
OPBDIT/ OI (%)	12.8%	14.1%
RoCE (%)	24%	23%
Total Debt/ TNW (times)	2.0	2.0
Total Debt/ OPBDIT (times)	2.6	2.9
Interest Coverage (times)	3.8	4.1

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years

	Instrument	Current Rating (FY2020)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as on Dec 2018 (Rs. crore)	Date& Rating in FY2020 April 2019	Date & Rating in FY2018 October 2017	Date & Rating in FY2017 April 2016	Date & Rating in FY2016 April 2015
1	Fund-based and Non-fund Based Facilities	Long Term	1.50	-	[ICRA]BBB (Stable)	-	-	-
2	Fund-based - Term Loan	Long Term	28.78	28.94	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB- (Stable)
3	Fund-based and Non-fund Based Facilities	Long Term and Short Term	55.00	-	[ICRA]BBB (Stable)/ [ICRA]A3+	[ICRA]BBB (Stable)/ [ICRA]A3+	[ICRA]BBB (Stable)/ [ICRA]A3+	[ICRA]BBB- (Stable)/ [ICRA]A3
4	Non-fund Based - Bank Guarantee	Short Term	3.00	-	[ICRA]A3+	[ICRA]A3+	[ICRA]A3+	[ICRA]A3
5	Fund-based - Unallocated	Long Term and Short Term	0.00	-	-	[ICRA]BBB (Stable)/ [ICRA]A3+		

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
-	Fund-based and non-fund based limits	-	-	-	1.50	[ICRA]BBB(Stable)
-	Term loan	Mar-2018	-	Mar-2023	28.78	[ICRA]BBB(Stable)
-	Fund-based and non-fund based multiline working capital facilities	-	-	-	55.00	[ICRA]BBB(Stable)/[ICRA]A3+
-	Bank guarantee	-	-	-	3.00	[ICRA]A3+

Source: All Time

Annexure-2: List of entities considered for consolidated analysis: Not applicable

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