PIL Italica Lifestyle Limited

December 03, 2021

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Rating Action
Long Term Bank Facilities	9.00	CARE BB; Stable (Double B; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	1.00	CARE A4 (A Four)	Reaffirmed
Total Bank Facilities	**10.00 (Rs. Ten Crore Only)**		

Details of facilities in Annexure -1

Detailed Rationale & Key Rating Drivers

The ratings of PIL Italica Lifestyle Limited (PIL) continue to remain constrained on account of its modest scale of operations with moderate profitability margins. The ratings, further, continues to remain constrained on account of vulnerability of its margins to fluctuation in raw material prices and its presence in the highly competitive industry.

The ratings, however, continue to favourably take into account experienced management with established marketing network, comfortable solvency position and adequate liquidity position.

Key Rating Sensitivities:

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Sustained increase in scale of operations of the company above Rs.60.00 crore.
- Improvement of profitability margins with registration of PBILDT margin above 11% on sustained basis

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Any new debt funded project undertaken by the company which results in deterioration in capital structure more than 1.00 times
- Deterioration of operating cycle with operating cycle more than 150 days
- Deterioration in operating margins below 6% on sustained basis
- Any adverse change in government policy for plastic products

Detailed description of the key rating drivers

Key Rating Weakness

Modest scale of operations with moderate profitability margins

PIL's TOI has remained modest in the range of Rs.48.76 crore – Rs.73.20 crore in the past five years ended in FY21. However, during FY21, it registered around 12% Y-o-Y growth in its TOI which remained at Rs.54.85 crore as compared to Rs.48.76 crore in FY20 owing to increased demand of its products in FY21.

The profitability margins of the company remained moderate and in line with last year marked by PBILDT and PAT margin of 10.62% and 6.76% respectively in FY21. Improvement in PAT margin was on account of lower tax expense as the company has opted taxation under section 115 BAA of income tax act.

PIL's TOI improved from Rs.19.66 crore in H1FY21 (UA) which was impacted by Covid-19 induced lockdown to Rs.23.21 crore in H1FY22 (UA). Profitability of PIL had also improved.

Vulnerability of margins to fluctuation in raw material prices

The primary raw material required for manufacturing of PP granules, is a crude oil derivative. Over the years, prices of crude oil have been volatile and so are the prices of polymers. Considering the volatility associated with raw material prices and timing difference arising in procurement of raw material and realization of sales, exposes the company's operating margins to fluctuations.

Presence in highly competitive industry along with availability of substitutes

Plastic industry is highly competitive due to the low entry barriers in the industry like low investment requirements. The industry is characterized by a large number of small players, making the industry highly fragmented. The high degree of fragmentation also leads to stiff competition amongst the manufacturers.

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications*

Key Rating Strengths

Experienced management with established marketing network

Mr. Daud Ali, Managing Director, is graduate by qualification and has more than four decades of experience in the industry. He looks after overall affairs of the company and is assisted by Mr. Narendra Bhanawat, whole time director and Chief Financial Officer, who has more than fifteen years of experience and looks after finance function. Mr. Rajendra Heda, Vice-President (Plant operations), looks after the plant operations of the company. They are, further, assisted by a team of experienced employees who assist the management in day to day operations of the company.

The company mainly supplies its plastic moulded furniture in Rajasthan, Haryana, Uttar Pradesh, Madhya Pradesh, Gujarat and Jammu & Kashmir i.e. catering most of the North Indian market through chain of dealers and distributors. Furthermore, the company has also entered into an MOU with Kisan Mouldings Limited, Mumbai (KML) for getting exclusive marketing rights of 'Kisan' brand for moulded furniture business, acquiring key marketing personnel and dealer/ distributor network to cater to southern states. It has also taken leased KML's manufacturing plant at Silvassa which stated operations in October 2021.

Comfortable solvency position

The capital structure of the company remained comfortable marked by overall gearing ratio of 0.10 times as on March 31, 2021. Tangible net worth of the company augmented to Rs.63.98 crore as on March 31, 2021, however, company has given loans and advances of Rs.38.26 crore as on March 31, 2021 to group concern and third-party borrowers with an aim to earn interest income on the same. The said loans are repayable in range of 6 months to 3 years or on demand and having rate of interest (ROI) in range of 12-18% p.a. Even after excluding the said loans and advances from net worth, the adjusted overall gearing stands low at 0.24 times as on March 31, 2021.

The debt coverage indicators of PIL moderated in FY21 owing to increase in interest expense and debt level, however, it continued to remain comfortable marked by interest coverage of 14.91 times [PY: 25.69 times] and total debt/ GCA of 1.13 times [PY:0.80] in the year ended on March 31, 2021.

PIL's overall gearing ratio continued to remained comfortable at 0.13 times as on September 30, 2021 (UA) [0.07 times as on September 30, 2020 (UA)]. PIL's debt coverage indicators also remained comfortable marked by interest coverage ratio of 8.23 times in H1FY22 (UA) [PY: 7.17 times] and total debt / GCA of 1.66 times as on September 30, 2021 (UA) [PY: 3.05 times].

Liquidity: Adequate

PIL's liquidity remained adequate marked by low utilization of its working capital limits, healthy liquidity ratios and moderate cash accruals against low debt repayments.

Average utilization of the company's working capital borrowings remained at around 41% during last twelve months ended in September, 2021. Further, the company is expected to generate moderate GCA of Rs.5-10 crore in FY22-FY24 against modest debt repayment of Rs.0.08-0.24 crore towards long term debt in same period. The liquidity ratios remained comfortable marked by current ratio and quick ratio at 6.11 times and 4.49 as on March 31, 2021 owing to high amount of loans and advances given to third parties. However, the operating cycle of the company elongated to 115 days in FY21 from 93 days in FY20 owing to high inventory holding period in FY21.

Analytical Approach: Standalone

Applicable Criteria

CARE's Policy on Default Recognition

Criteria on assigning Outlook and Credit Watch to Credit Ratings

Rating Methodology - Manufacturing Companies

Financial Ratios - Non-Financial Sector

Criteria for short term instruments

Liquidity Analysis of Non-Financial Sector Entities

About the Company

Udaipur (Rajasthan) based PIL (CIN: L25207RJ1992PLC006576) [earlier known as: Peacock Industries Limited] was incorporated in 1992 by Mr. Daud Ali. The company is engaged in the business of manufacturing and trading of plastic moulded furniture such as chairs, tables, stools, crates, storage and waste bins etc. It is also engaged in the business of financing activities to third parties. The manufacturing facility of the company is located at Udaipur, Rajasthan and is certified with International Organization for Standardization (ISO) like ISO 9001:2015. The shares of the company were listed on Bombay Stock Exchange (BSE) on June 18, 1993. In December 1998, the company was declared sick by BIFR (Board for Industrial and Financial Reconstruction) and subsequently, in July 2013, BIFR sanctioned a scheme for rehabilitation of the company. In September 2015, the company changed its name and resumed its current name i.e. PIL Italica Lifestyle Limited. Further, it also exited from BIFR in March 2017.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)	H1FY22 (UA)
Total operating income	48.76	54.85	23.21
PBILDT	4.89	5.83	2.88
PAT	0.80	3.71	2.25
Overall gearing (times)	0.06	0.10	0.13
Interest coverage (times)	25.69	14.91	8.23

A: Audited; UA: Unaudited

Status of non-cooperation with previous CRA: Not Applicable
Any other information: Not Applicable
Rating History (Last three years): Please refer Annexure-2
Covenants of rated facility: Detailed explanation of covenants of the rated facilities is given in Annexure-3
Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	9.00	CARE BB; Stable
Fund-based - ST-Bank Overdraft	-	-	-	-	1.00	CARE A4

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT	9.00	CARE BB; Stable	-	1)CARE BB; Stable (29-Dec-20) 2)CARE BB; Stable (30-Jul-20)	1)CARE BB; Stable (06-Jan-20)	-
2	Fund-based - ST-Bank Overdraft	ST	1.00	CARE A4	-	1)CARE A4 (29-Dec-20) 2)CARE A4 (30-Jul-20)	1)CARE A4 (06-Jan-20)	-

Annexure-3: Detailed explanation of covenants of the rated facilities: None

Annexure-4: Complexity level of various instruments rated for this Company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - ST-Bank Overdraft	Simple

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

Contact us

Media Contact
Name: Mr. Mradul Mishra
Contact no. – +91-22-6837 4424
Email ID – mradul.mishra@careratings.com

Analyst Contact
Group Head Name – Mr. Akhil Goyal
Group Head Contact no.- +91-8511190015
Group Head Email ID- akhil.goyal@careratings.com

Business Development Contact
Name: Mr. Deepak Prajapati
Contact no. : +91-79-4026 5656
Email ID : deepak.prajapati@careratings.com

About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**