

PIL Italica Lifestyle Limited

November 11, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	15.00 (Enhanced from 9.00)	CARE BB; Stable (Double B; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	-	-	Withdrawn
Total Bank Facilities	15.00 (₹ Fifteen Crore Only)		

Details of facilities in Annexure -1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of PIL Italica Lifestyle Limited (PIL) continues to remain constrained on account of its modest albeit growing scale of operations and moderate profitability which declined in FY22 (FY refer to the period from April 01 to March 31) and H1FY23 (Unaudited). The rating, 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 rating, however, continue to favourably take into account experienced management with established marketing network along with comfortable capital structure and debt coverage indicators.

Rating Sensitivities

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

- Sustained volume backed increase in scale of operations of the company with growth of over 20%
- 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 albeit growing scale of operations with moderate profitability which declined in FY22 and H1FY23

During FY22, it registered ~23% Y-o-Y growth in its TOI to Rs.67.57 crore owing to increased sales realization in tandem with increase in raw material price while sales volume had declined in FY22. In H1FY23 (UA), PIL reported TOI of Rs.36.34 crore exhibiting ~57% Y-o-Y growth as against H1FY22 (UA) which was impacted by Covid-19 second wave disruptions.

PIL's PBILDT margin reduced by 369 bps Y-o-Y to 6.72% in FY22 mainly on account of volatility of raw material prices in FY22 and further reduced to 5.2% in H1FY23. The major raw material is crude oil derivative as against limited bargaining power of the company against its customers due to high competition. This coupled with higher base effect led to moderation in margins. However, company is expecting recovery in profitability in H2FY23 with softening in raw material prices.

Vulnerability of margins to fluctuation in raw material prices

The primary raw material required for manufacturing of Polypropylene (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

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.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s 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 started operations in October 2021.

Comfortable capital structure and debt coverage indicators

The capital structure of the company remained comfortable marked by overall gearing ratio of 0.21 times as on March 31, 2022 [0.10 times as on March 31, 2021] with continued lower reliance on external debt. Overall gearing remained at 0.17 times as on September 30, 2022 (UA).

Tangible net worth of the company augmented to Rs.66.50 crore as on March 31, 2022 [Rs.63.98 crore as on March 31, 2021] with accretion of profits into reserves. However, the company has given loans and advances of Rs.44.85 crore as on March 31, 2022 [Rs.38.26 crore as on March 31, 2021] out of available net worth to associate and third party borrowers with an aim to earn interest income on the same. After excluding the said loans and advances from net worth, the adjusted overall gearing stands low at 0.92 times as on March 31, 2022.

The debt coverage indicators of PIL moderated in FY22 owing to increase in total debt, and subsequently, interest expense as against decrease in operating profitability, though continued to remain comfortable as marked by interest coverage of 5.62 times [PY: 14.59 times] and total debt/ GCA of 3.60 times [PY:1.13] in the year ended on March 31, 2022. Debt coverage indicators further deteriorated with interest coverage of 3.86 times and TDGCA of 4.13 times for the half year ended on September 30, 2022 (UA) with dip in profitability.

Liquidity: Adequate

PIL's liquidity remained adequate marked by healthy liquidity ratios and moderate cash accruals against low debt repayments. The company is expected to generate moderate GCA of Rs.3-5.35 crore in FY23-FY25 against low debt repayment of Rs.0.12-0.24 crore towards GECL limits in same period. The liquidity ratios remained comfortable marked by current ratio and quick ratio at 3.94 times and 3.07 as on March 31, 2022 owing to high amount of loans and advances given to third parties. Adjusted current ratio (adjusted for the said loans and advances) remained modest at 1.15 times as on March 31, 2022. Average utilization of the company's working capital borrowings remained moderate at around ~70% during last twelve months ended in August, 2022. The operating cycle of the company marginally improved to 108 days in FY22 [PY: 119 days] with improvement in inventory and collection period in FY22. The main raw material for the products includes polypropylene granules and copolymers and it purchases from del-cadre agents of Reliance Industries Limited (RIL) from Udaipur etc. It receives payment from customers and makes payments within 25-40 days. During FY22, the net cash flow from operating activities improved to Rs.1.21 crore as against Rs.0.57 crore in FY21 mainly due to decrease in inventory level as on March 31, 2022.

Analytical approach: Standalone

Applicable Criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Manufacturing Companies](#)

[Policy on Withdrawal of Ratings](#)

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)	FY21 (A)	FY22 (A)	H1FY23 (UA)
Total operating income	54.72	67.57	36.34
PBILDT	5.70	4.54	1.89
PAT	3.71	2.51	1.03
Overall gearing (times)	0.10	0.21	0.17
Interest coverage (times)	14.59	5.62	3.86

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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	15.00	CARE BB; Stable
Fund-based - ST-Bank Overdraft	-	-	-	-	0.00	Withdrawn

Annexure-2: Rating history of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	15.00	CARE BB; Stable	-	1)CARE BB; Stable (03-Dec-21)	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)CARE A4 (03-Dec-21)	1)CARE A4 (29-Dec-20) 2)CARE A4 (30-Jul-20)	1)CARE A4 (06-Jan-20)

* Long term / Short term

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

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

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

Contact us

Media Contact

Name: Mradul Mishra
Phone: +91-22-6837 4424
E-mail: mradul.mishra@careedge.in

Analyst Contact

Name: Akhil Goyal
Phone: +91-85111 90015
E-mail: akhil.goyal@careedge.in

Relationship Contact

Name: Deepak Prajapati
Phone: +91-79-4026 5656
E-mail: deepak.prajapati@careedge.in

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