

National Plastic Industries Limited

September 06, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	28.00 (Reduced from 30.25)	CARE BBB-; Stable	Reaffirmed
Short Term Bank Facilities	4.25 (Enhanced from 2.00)	CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1

Rationale & key rating drivers

The reaffirmation of the ratings to the long-term and short-term bank facilities of National Plastic Industries Limited continues to factor in support from the extensive experience of the promoters in the plastic moulded industry, having a well-established brand and long-standing relationship with reputed customers and suppliers. The ratings further continue to derive strength from its improved operating performance in FY23 and adequate liquidity position.

The ratings however continue to be constrained by growing scale of operations however continued to remain modest, susceptibility of the profit margin to fluctuation in the raw material cost, forex risk, working capital intensive nature of operations characterized by elongated operating cycle and presence in highly competitive and fragmented industry.

Rating Sensitivities: Factors likely to lead to rating actions

Positive Factors

- Increase in the scale of operation over Rs.150 crore on sustained basis.
- Improvement in the profit margins with PBILDT and PAT margins exceeding 11% and 5% respectively on a sustained basis
- Improvement in the operating cycle below 120 days

Negative Factors

- Decline in overall performance with PBILDT margin falling below 7% along with subdued revenue, resulting in much lower cash accruals.
- Low cash accruals leading to deterioration in the debt coverage indicators or liquidity
- Deterioration in capital structure with overall gearing exceeding 2x level
- Elongation in working capital cycle or large debt funded capex thereby impacting the financial risk profile, particularly liquidity.

Analytical approach: Standalone

Outlook: Stable

The continuation of "Stable" outlook reflects CARE Ratings belief that NPIL will sustain its growth in scale of operations and profitability margins.

Detailed description of the key rating drivers:

Key Strengths

Experienced management with long track record of operations

The promoters (Parekh family) of NPIL have been involved in the business of manufacturing and marketing injection moulded plastic products for over five decades. Over the years, NPIL has developed a strong association with the suppliers as well as customers thus, enabling it to garner regular orders from them.

Diversified product portfolio coupled with Established brand and satisfactory marketing distribution setup

NPIL manufactures injection-moulded plastic products broadly classified into furniture, household & commercial items which are being sold under the brand name of 'National' for over five decades. NPIL covers wide range of products which finds its application in various purposes. Items under furniture include Chairs, Tables, Stools, Baby Products, houseware includes Buckets, Chopping Boards, Storage Boxes, Shopping Baskets, Laundry Baskets, Cupboards, Sofa and commercial products shall includes items such

as Soft-Drink Crates, Plastic Extrusion Mats, Hard Mats and Coolers. During FY23, the company derived around 66.18% revenues from moulded plastic materials, followed by around 18% from sale of coolers, around 14% from sale of plastic mats and remaining from sale of other products. Besides, the company has a good distribution network as it operates from Mumbai and having its branches in Ghaziabad, Bangalore, Kerala and Punjab.

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

Steady order book position

The company has a steady order book position of around Rs.45.71 crore which is to be executed by December 2023. Besides, the company is also executing orders from Bajaj Electricals which is expected to provide support to the topline further. Steady orders in past and addition of new clients continue to support the business risk profile of NPIL.

Established relations with customers and suppliers

Over the past five decades of its existence, NPIL has established a healthy relationship with reputed customers. The company regularly supplies plastic moulded furniture and houseware to these companies and enjoys relationship for more than 10-15 years with them which have helped NPIL to generate about 32.94% and 27.92% of total revenue during FY23 and Q1FY24 respectively from Top 5 customers. Further among the top 5 customers, share from Bajaj Electricals itself stood about 18% in FY23 (PY-10%), Thus, the restoration of order from Bajaj has helped to increase the revenue from Top 5 customers in FY23. Further NPIL enjoys a healthy relationship with its suppliers which offer good credit to the company. Thus, around 50% and 89% in FY23 and Q1FY24 respectively of its raw material requirement was from Top 5 suppliers among which reliance industries Ltd and IOCL are being major suppliers.

Moderate profitability margins

The PBILDT margin of NPIL improved from 8.96% in FY22 to 11.30% in FY23 owing to better realization of sales as a result of change in product mix with higher price point. Moreover, the volumes also witnessed an improvement during FY23, marked by improved demand from the end user. Further, cost control measures taken by the company during the covid, has also contributed to improvement in margins. PAT margin of NPIL has increased from 2.41% in FY22 to 3.81% in FY23 in line with improvement in PBILDT margin. However, the profit margin continues to remain moderate.

The company reported PBILDT and PAT margins of 8.89% and 1.72% respectively in Q1FY24 as compared to 7.63% and 2.13% respectively in Q1FY23.

Key weakness

Modest scale of operation; Albeit improvement witnessed in FY23

The total operating income of the company improved significantly by 35% in FY23 and stood at Rs. 112 crore as against Rs. 82.64 crore in FY23. The company has started focusing on chairs with better price points, also there has been a revival in demand with increase in scope of orders coupled with restoration of orders from Bajaj Electricals which contributes major portion in the total revenue. Further, during Q1FY24, NPIL posted total revenue of Rs. 19.13 crore (vis-à-vis Rs.21.09 crore in Q1FY24). Going forward, CARE's expects NPIL will sustain its growth in scale of operations for projected years.

Working capital intensive nature of operations

The inventory holding of NPIL reduced to 105 days in FY23 as against 140 days in FY22 as NPIL has to maintain inventory to meet increasing demand as well as to cater to demand of its customers. However, as the company deals majorly with domestic customers, lead time of order execution would be lower thus the company has been focusing on maintaining a lean inventory since covid period. Further, the collection period has been reduced from 78 days in FY22 to 65 days in FY23 owing to stringent policy adopted by company for debtors recovery. The debtor in absolute terms has remained stable despite an increase in scale. Given all of the above, the operating cycle has improved yet remains elongated from 184 days in FY22 to 146 days in FY23, whereas the operations continue to remain working capital intensive in nature.

Moderate capital structure and debt coverage indicators

The capital structure of NPIL remains moderate; albeit improvement in overall gearing as on March 31, 2023.. Reduction in debt owing to lower utilisation of bank borrowing compared to previous years, coupled with increase in net worth has led to improvement in the overall gearing to 1.10x as on March 31, 2023 (vis-à-vis 1.48x as on March 31, 2022). Furthermore, with the increase in cash accruals and reduction in debt of the company, the total debt to GCA has been improved to 4.62 times in FY23 (vis-a-vis 13.27 times in FY22), however, despite improvement, debt coverage indicators continue to remain moderate. Also, the interest coverage ratio improved to 3.98x in FY23 (vis-a-vis 2.66x in FY22)

Susceptibility of margins to volatile raw material prices and foreign exchange fluctuation risk

The raw material prices have been fluctuating in the past and therefore the cost base remains exposed to any adverse price fluctuations in the prices of the key raw materials i.e., Polypropylene & Polystyrene. However, in past, the company has been able to pass on the increase in raw material prices to the customers with a time lag. In addition to this, the profitability is also exposed to fluctuations in foreign currency, as the company exports around 10% of products with no hedging mechanism in place.

Intense competition putting pressure on margins

The company operates in a highly competitive and fragmented market which consists of large to small sized players. Moreover, low entry barriers in the industry further intensifies the already prevailing high competition in the market. Thus, competitive nature and fragmented nature of the industry, continue to have bearing on the margins as well as credit offered to its customers by players operating in this industry.

Liquidity: Adequate

Adequate liquidity characterized by sufficient cushion in accruals vis-à-vis repayment obligations and moderate cash balance of Rs.0.79 crore as on March 31, 2023. On an average the maximum utilization of limits for last 12 months ended July 2023

remained high at 72.76% (PY:81.88 %). The current ratio and quick ratio stood at 1.66x and 0.93x as on March 31, 2023. The company is not projecting any capex and therefore the cash accruals are expected to be utilized towards meeting the debt obligations.

Applicable criteria:

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

About the Company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Consumer Durables	Consumer Durables	Furniture, Home Furnishing

National Plastic Industries Limited (NPIL) was established in 1952 and is currently being managed by Mr. Paresh Parekh and Mr. Ketan Parekh. NPIL is mainly engaged in the business of manufacturing and marketing of injection moulded plastic products for over six decades. The products of NPIL can broadly be classified into furniture, household & commercial items which are sold under the brand name of 'National'. The company operates from its registered office located at Andheri (East), while it also operates through its branches in Ghaziabad, Bangalore, Kerala and Punjab. On the other hand, its manufacturing facilities are located in Silvassa, Patna and Nellore.

NPIL primarily caters to domestic market, that accounted for about 83% of the gross sales in FY23 (vis-à-vis 88.55% in FY22), while balance 17% in FY23 (vis-à-vis 11.45% in FY22) is to the export markets such as Australia, Middle East, Panama, Africa, New Zealand and Romania.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	Q1FY24 (UA)
Total operating income	82.64	112.00	19.13
PBILDT	7.41	12.66	1.70
PAT	1.99	4.34	0.33
Overall gearing (times)	1.48	1.10	NA
Interest coverage (times)	2.66	3.98	2.83

A: Audited, UA: Unaudited; NA- Not available Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Disclosure of Interest of Independent/Non-Executive Directors of CARE: Not Applicable

Disclosure of Interest of Managing Director & CEO: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Lender details: Annexure-5

Annexure-1: Details of Instruments / 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		-	-	-	28.00	CARE BBB-; Stable
Non-fund-based - ST-ILC/FLC		-	-	-	4.25	CARE A3

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 2023-2024	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
1	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (30-Sep-21)	1)CARE BBB-; Stable (10-Aug-20)
2	Fund-based - LT-Cash Credit	LT	28.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (13-Sep-22)	1)CARE BBB-; Stable (30-Sep-21)	1)CARE BBB-; Stable (10-Aug-20)
3	Non-fund-based - ST-ILC/FLC	ST	4.25	CARE A3	-	1)CARE A3 (13-Sep-22)	1)CARE A3 (30-Sep-21)	1)CARE A3 (10-Aug-20)

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities : Not applicable**Annexure-4: Complexity level of various instruments rated for this company**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-ILC/FLC	Simple

Annexure 5: Bank Lender Details for this CompanyTo view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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