

## PIL Italica Lifestyle Limited

October 30, 2023

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	15.00	CARE BB+; Stable	Revised from CARE BB; Stable

Details of facilities in Annexure -1

### Rationale and key rating drivers

The revision in the rating assigned to the bank facilities of PIL Italica Lifestyle Limited (PIL) considers healthy volume backed growth in its scale of operations in FY23 (FY refer to the period from April 01 to March 31) and H1FY24 (Unaudited) along with improvement in profitability in H1FY24 and its comfortable capital structure.

The rating continues to remain constrained on account of vulnerability of its profit margin to fluctuation in raw material prices and its presence in a highly competitive industry.

The rating, however, continues to derive strength from PIL's experienced management with established marketing network coupled with comfortable debt coverage indicators and adequate liquidity.

### Rating Sensitivities: Factors likely to lead to rating actions

#### Positive Factors

- Volume backed increase in scale of operations to more than Rs.125 crore along with PBILDT margin above 10% on sustained basis
- Any substantial recoupment of loans & advances resulting in improvement in liquidity of the company on sustained basis

#### Negative Factors

- Decline in scale of operations with total operating income (TOI) below Rs.70 crore or PBILDT margin below 6% on sustained basis
- Any increase in working capital requirement or debt funded capex or further extension of loans & advances resulting in moderation in overall gearing above 1.00 times
- Elongation in operating cycle to more than 120 days on sustained basis
- Any adverse change in government policy for plastic products

### Analytical Approach: Standalone

#### Outlook: Stable

The 'Stable' outlook reflects CARE Ratings' opinion that the entity will continue to benefit from its experienced promoter along with wide distribution network and established brand presence in the plastic moulded furniture segment which shall enable the company to sustain its performance over the medium term.

### Detailed description of the key rating drivers

#### Key Weaknesses

##### ***Vulnerability of profit margin to fluctuation in raw material prices***

The primary raw material required for manufacturing of plastic products is Polypropylene (PP) granules, which is a crude oil derivative. Over the years, price of crude oil has been volatile which has translated in volatility of polymer prices. Considering this volatility and timing difference arising in procurement of raw material and realization of sales, the company's operating profit margin is susceptible to fluctuation in raw material price.

##### ***Presence in highly competitive industry***

Plastic industry is highly competitive due to the low entry barriers in the industry with low investment requirement. 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.

#### Key Strengths

##### ***Consistent growth in scale of operations along with moderate profitability***

PIL registered healthy growth of 26% Y-o-Y in its total operating income (TOI) to Rs.85.31 crore in FY23 as against Rs.67.57 crore in FY22. The growth was driven by 29% y-o-y increase in sales volume. Furthermore, in H1FY24, PIL continued to report

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

healthy growth in scale of operations with TOI of Rs.45.41 crore on the back of increased sales volume. PIL's TOI is expected to register moderate growth in medium term in anticipation of increased product demand aided by planned increase in manufacturing capacity.

PIL's profitability as marked by its PBILDT margin and PAT margin remained relatively stable at 6.83% and 3.57% respectively in FY23; however, it improved significantly by 345 bps and 210 bps Y-o-Y to 8.65% and 4.93% respectively in H1FY24 owing to stabilization of raw material price.

#### ***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.

PIL has an established marketing network with 476 distributors and 1872 dealers across 15 states in India. The company mainly supplies its plastic moulded furniture to Rajasthan, Haryana, Uttar Pradesh, Madhya Pradesh, Gujarat and Jammu & Kashmir through its chain of dealers and distributors.

Furthermore, the company had entered into a memorandum of understanding (MOU) with Kisan Mouldings Limited, Mumbai (KML) in February, 2020 for getting exclusive marketing rights of 'Kisan' brand for moulded furniture business, for acquiring key marketing personnel and dealer / distributor network to cater to southern states of India and to utilize KML's manufacturing plant at Silvassa on lease. Subsequently, PIL entered in a fresh MOU with KML in the current year for purchase of 'Kisan' brand name and Silvassa manufacturing facility.

#### ***Comfortable capital structure and debt coverage indicators***

PIL's capital structure marked by overall gearing remained comfortable at 0.16 times as on March 31, 2023 [0.12 times as on September 30, 2023] due to low reliance on external debt for working capital and capex requirement. Also, PIL had moderate net worth base of Rs.69.53 crore as on March 31, 2023 [Rs.71.81 crore as on September 30, 2023].

Moreover, the company has given loans and advances of Rs.41.17 crore as on March 31, 2023 out of available net worth to third parties with an aim to earn interest income on the same. Excluding the said loans and advances from net worth, the adjusted overall gearing stood comfortable at 0.39 times as on March 31, 2023 [0.27 times as on September 30, 2023].

Further, PIL is expected to incur capex of ~Rs.23 crore in the current year towards Silvassa unit purchase including capacity expansion. The said capex is expected to be funded through a mix of debt, internal accruals and recoupment of loans & advances given to third parties. Factoring this, overall gearing is expected to moderate but continue to remain comfortable going forward.

Debt coverage indicators of PIL also continued to remain comfortable with PBILDT interest coverage of 5.80 times [PY: 5.44 times] and TDGCA ratio of 2.30 times [PY:3.60 times] in FY23. In H1FY24 as well, PIL reported interest coverage of 8.02 times [PY:3.86 times] and TDGCA of 1.60 times [PY: 3.99 times].

#### **Liquidity: Adequate**

PIL's liquidity was adequate with healthy cash flow from operations (CFO) of Rs.8.79 crore in FY23, sufficient cash accruals to cover its low debt repayment obligation and moderate utilization of working capital limit.

The company is expected to generate moderate GCA of ~Rs.6-7 crore in FY24-FY26 which is adequate to cover debt repayment obligation of Rs.0.18- Rs.1.85 crore. Average utilization of working capital borrowings remained moderate at ~47% during last twelve months ended August 2023. The operating cycle of the company marginally improved from 108 days in FY22 to 90 days in FY23 with improvement in inventory and collection period.

**Assumptions/Covenants:** Not Applicable

**Environment, social, and governance (ESG) risks:** Not Applicable

#### **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 and industry

### Industry Classification

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

### 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 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 ISO 9001:2015 certified. 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 – Consolidated (Rs. Crore)	FY22 (A)	FY23 (A)	H1FY24 (UA)
Total operating income	67.57	85.31	45.41
PBILDT	4.57	5.82	3.93
PAT	2.51	3.04	2.24
Overall gearing (times)	0.21	0.16	0.12
Interest coverage (times)	5.44	5.80	8.02

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

**Rating history for 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:** Annexure-4

**Lender details:** Annexure-5

### 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

**Annexure-2: Rating history for the 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-Cash Credit	LT	15.00	CARE BB+; Stable	-	1)CARE BB; Stable (11-Nov-22)	1)CARE BB; Stable (03-Dec-21)	1)CARE BB; Stable (29-Dec-20) 2)CARE BB; Stable (30-Jul-20)
2	Fund-based - ST-Bank Overdraft	ST	-	-	-	1)Withdrawn (11-Nov-22)	1)CARE A4 (03-Dec-21)	1)CARE A4 (29-Dec-20) 2)CARE A4 (30-Jul-20)

\*Long term/Short term.

**Annexure-3: Detailed explanation of covenants of the rated facilities:** Not Applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple

**Annexure-5: Lender details**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](http://www.careedge.in). Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

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