

PIL Italica Lifestyle Limited

October 08, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	15.00	CARE BB+; Stable	Reaffirmed

Details of facilities in Annexure -1

Rationale and key rating drivers

The rating assigned to the bank facilities of PIL Italica Lifestyle Limited (PIL) continues to remain constrained on account of its growing albeit moderate scale of operations, moderate profitability, vulnerability of its profitability to fluctuation in raw material prices and its presence in a highly competitive industry.

The rating, however, continues to favourably take into account PIL's experienced management with established marketing network along with comfortable capital structure as well as 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.150 crore along with PBILDT margin above 10% on sustained basis
- Any substantial recoupment of loans & advances resulting in improvement in liquidity or increase in adjusted tangible net worth [adjusted for loans & advances] to more than Rs.50 crore 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

Growing albeit moderate scale of operations coupled with moderate profitability

PIL's total operating income (TOI) increased by 14% Y-o-Y and remained moderate at Rs.97.23 crore in FY24 on account of increase in demand as well as average sales realization. PIL's PBILDT margin increased marginally by 154 bps to 8.39% on the back of lower raw material cost incurred as the company sold proportionately high value-added premium products during FY24. Subsequently, PAT margin of the company also increased by 118 bps Y-o-Y to 4.75% in FY24 on the back of increase in operating profitability.

In Q1FY25, PIL reported relatively stable TOI of Rs.21.23 crore while PBILDT margin, and subsequently, PAT margin increased by 332 bps and 117 bps respectively to 11.54% and 7.11% respectively on the back of lower raw material cost incurred.

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.

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

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

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 527 distributors and 1989 dealers across 17 states in India. Further, PIL has purchased Kisan Mouldings Limited (KML)'s manufacturing facility at Silvassa [which was previously utilized by PIL on lease] with total cost of Rs.13.50 crore which was funded through return of loans & advances given to third parties and balance through internal accruals.

Comfortable capital structure and debt coverage indicators

PIL's capital structure remained comfortable on the back of moderate tangible net worth base of Rs.74.04 crore as on March 31, 2024 [i.e. 76% of FY24 TOI] as marked by its overall gearing ratio of 0.21x as on March 31, 2024 which marginally increased from 0.16x as on March 31, 2023 due to increase in working capital borrowings.

The company has given loans of Rs.33.33 crore as on March 31, 2024 [PY: Rs.41.17 crore] out of available net worth to third parties with an aim to earn interest income on the same. Even after excluding the said loans and advances from net worth, the adjusted overall gearing stood comfortable at 0.38x as on March 31, 2024 [PY: 0.39x].

Debt coverage indicators improved marginally in tandem with profitability and continued to remain comfortable as marked by interest coverage ratio of 7.69x [PY: 5.68x] and total debt to gross cash accruals (TDGCA) ratio of 2.20x [PY:2.30x] in FY24. In Q1FY25, interest coverage ratio decreased marginally due to increased interest expense, though continued to remain comfortable at 5.98x [PY: 6.92x].

Moreover, PIL has budgeted to incur total cost of Rs.17 crore towards purchase of new plant & machinery for plant upgradation / capacity expansion as well as purchase of new moulds. It has already applied for a term loan of Rs.10 crore, which is under process and balance Rs.7 crore is expected to be funded through return of loans & advances given to third parties [i.e. most of the same are recoverable on demand] and internal accruals. Considering the small size of capex in FY25 compared to PIL's net worth (~23%) as on March 31, 2024 coupled with its expansion nature, the project risk is low.

Liquidity: Adequate

PIL's liquidity position was adequate marked by moderate cash flow from operations (CFO), sufficient cash accruals to cover its low debt repayment obligation.

PIL's CFO increased in tandem with operating profitability from Rs.8.82 crore in FY23 to Rs.12.11 crore in FY24. The company has reported GCA of Rs.7.10 crore in FY24 which is adequate to cover low scheduled long-term debt repayment obligation of Rs.0.26 crore in FY25. Average utilization of working capital borrowings remained high at 90% during last twelve months ended August 2024 to support increased capacity utilization.

The operating cycle remained relatively stable at marginally elongated level of 93 days in FY24 [PY: 90 days]. The main raw material for the products includes PP granules and copolymers which the company purchases from del-cadre agents of Reliance Industries Limited (RIL) and Indian Oil Corporation Ltd. (IOCL) from Udaipur etc. It receives payment from customers within 25-40 days.

Assumptions/Covenants: Not Applicable

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

Applicable Criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

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 molded 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 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)	FY23 (A)	FY24 (A)	H1FY25 (UA)
Total operating income	85.31	97.23	21.23
PBILDT	5.85	8.16	2.45
PAT	3.04	4.62	1.51
Overall gearing (times)	0.16	0.21	NA
Interest coverage (times)	5.68	7.69	5.98

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 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 and Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	15.00	CARE BB+; Stable

Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT-Cash Credit	LT	15.00	CARE BB+; Stable	-	1)CARE BB+; Stable (30-Oct-23)	1)CARE BB; Stable (11-Nov-22)	1)CARE BB; Stable (03-Dec-21)
2	Fund-based - ST-Bank Overdraft	ST	-	-	-	-	1)Withdrawn (11-Nov-22)	1)CARE A4 (03-Dec-21)

LT: Long term; ST: Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/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 the complexity levels of the rated instruments: CARE Ratings 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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