

## Nahar Poly Films Limited

February 21, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	160.16 (Reduced from 188.10)	CARE A; Stable	Reaffirmed
Short Term Bank Facilities	12.00	CARE A1	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities of Nahar Poly Films Limited (NPFL) continue to derive strength from the experienced promoters with high financial flexibility enjoyed by NPFL by virtue of it being part of diversified Nahar group and diversified customer profile. Further, the ratings also take comfort from the strong liquidity position of the group supported by investments made by the company into mutual funds, debentures and interest-bearing bonds to the tune of Rs.73.38 crore as on December 31, 2024 along with lower utilization of working capital borrowings. The ratings take cognizance of the uptick in demand and realizations of BOPP (Bi-axially Oriented Polypropylene) films during 9MFY25 (refers to the period from April 01, 2024 to December 31, 2024) with the gradual stabilization of market and comfortable financial risk profile marked by low overall gearing.

The ratings, however, continue to remain constrained by susceptibility of margins to volatility in raw material prices, exposure to foreign fluctuation risk along with high competition, and operations remain exposed to the government regulations and geography specific risks in export markets.

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

#### Positive factors

- Sustained improvement in the scale of operations above Rs 850 crore along with improvement in PBILDT margin above 18%.
- Sustained improvement in return on capital employed (ROCE) beyond 21%

#### Negative factors

- Decline in the operational profitability with any adverse impact on the liquidity position of the company.
- Any higher than envisaged debt-funded capital expenditure resulting in overall gearing above 0.50x.
- Any further investments made in associate concerns beyond current levels.

### Analytical approach: Standalone

#### Outlook: Stable

CARE Ratings believes that the entity shall sustain its strong financial risk profile over the medium term on back of its strong liquidity. CARE also believes that improvement in cash accruals of the company over medium term shall further support its liquidity profile.

### Detailed description of key rating drivers:

#### Key strengths

##### Experienced promoters with high financial flexibility being part of Nahar group

NPFL belongs to the reputed Nahar Group which was established by late Mr. Vidya Sagar Oswal with diverse business interests in textiles, retail, BOPP films, renewable power, real estate, sugar and financial services. Currently, Mr. J.L. Oswal, son of Mr. Vidya Sagar Oswal holds the chairman position on the board of directors of NPFL and other group companies. He has more than 50 years of experience in the textile and woollen industry. Other directors of the company include Mr. Kamal Oswal (s/o Mr. J.L. Oswal and Vice-Chairman-cum-Managing Director of Nahar Industrial Enterprises Limited) and Mr. Dinesh Oswal [s/o Mr. J.L. Oswal and Managing Director of Nahar Spinning Mills Limited (NSML) and Nahar Capital and Financial Services Limited (NCFSL)], who have an industry experience of over 3 decades respectively. The promoters of the company are supported by well qualified professionals with separate heads for each department. Long operational history of the group and NPFL itself has enabled the

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

company to establish strong relations with its customers and suppliers. Being part of the Nahar group, the company enjoys ample financial flexibility with investments in group entities amounting to Rs.294.40 crore as on December 31, 2024. The promoters/promoter group entities hold 71.88% shareholding in NPFL, with Nahar Capital and Financial Services Limited (NCFSL) holding 49.16%, and Nahar Spinning Mills Limited (NSML) holding 17.73% stake as on March 31, 2023. Further, NPFL held 39.48% stake in NCFSL and 18.73% held by in Nahar Spinning Mills Limited, as on March 31, 2024. In the past, it has been observed that the promoters and promoter group companies have extended need based financial support to other group companies.

### **Diversified customer profile**

The company caters to more than 200 customers spread across India through established network of its own marketing personnel and dealers. Also, the company has fairly diversified customer profile with top-10 customers contributing ~57% to the total operating income in FY24 (refers to the period from April 01, 2023 to March 31, 2024) (PY: ~54% of total operating income) with none of them comprising of more than 15% of company's top-line. Further, the company also exports its products to various countries such as Nigeria, United Kingdom, Bangladesh, United Arab Emirates (UAE), Turkey, Oman, Tanzania, Nepal, Slovak Republic etc. Exports contributed ~12% of NPFL's revenue in FY24 (~8% in FY23).

### **Emerging Positive Trends in 9MFY25 Following FY24 Moderation**

Due to sizeable capacity additions in the BOPP films industry over the past two fiscals, the realizations of BOPP films moderated during FY23 (refers to the period from April 01, 2022 to March 31, 2023) and FY24 (refers to the period from April 01, 2023 to March 31, 2024), thereby impacting the operational performance. The total operating income of the company moderated by ~17% in FY24 and stood at Rs.599.93 crore (PY: Rs. 723.19 crore) and the PBILDT margin also declined substantially and stood at 3.55% in FY24 (PY: 11.29%).

However, recovery is visible in the current fiscal year, whereby in 9MFY25, the company has reported growth in total operating income by ~14%, which stood at Rs. 509.30 crore (PY: Rs.446.83 crore). The PBILDT margin improved by 662 bps and stood at 12.74% in 9MFY25 (PY: 6.12%). As of early 2025, the market has started stabilizing with restocking efforts thereby leading to gradual recovery.

### **Comfortable financial risk profile**

The overall gearing of the company stood comfortable and improved to 0.26x as on March 31, 2024 (PY: 0.36x) owing to lower utilization of working capital limits. The debt coverage indicators of the company, however moderated as reflected by PBILDT interest coverage of 1.74x and total debt/GCA of 6.12x as on March 31, 2024 (PY: 6.60x and 2.64x respectively). The same was owing to sizeable capacity additions over the last 2 fiscals which resulted in oversupply leading to decline in profitability margins of BOPP players. However, during the current year, with gradual recovery seen in the market, the operating profitability has improved with debt coverage indicators such as PBILDT/Interest and total debt to GCA improving to 8.27x and 2.16x respectively as on December 31, 2024.

### **Key weaknesses**

#### **Highly competitive and fragmented nature of industry; albeit, established brand name**

The Indian packaging industry is a combination of organised large Indian and International companies and the unorganised small and medium local companies. NPFL operates in a competitive segment of the packaging industry which is affected by low profitability due to highly fragmented industry, low entry barriers, presence of large number of unorganized players and regular capacity additions by the companies leading to a fall in product realisations. However, this risk is mitigated to some extent as the company sells its products under the brand "Nahar" which is widely recognized.

#### **Susceptibility of margins to volatility in raw material prices and exposure to foreign fluctuation risk**

The company is susceptible to the fluctuations in raw material prices. The operations of NPFL are raw material intensive in nature with the material cost constituting ~77% of the total operating income in FY24 (PY: ~73%). The prices of the key raw materials viz. BOPP resins and additives (polypropylene) are fluctuating in nature as these are dependent on crude oil prices which themselves are highly volatile in nature. Furthermore, the limited suppliers of these raw materials make it a sellers' market with limited bargaining power for buyers. Accordingly, profitability of packaging material producers is highly susceptible to raw material fluctuations. Furthermore, the margins are also vulnerable to changes in product mix of orders executed since BOPP films of non-tape/metalized grade (generally customized as per client requirements) delivers better margins as compared to tape grade. Export comprised of 12% of the total income of the company against imports of 1% of total raw material requirements, thus providing natural hedge to an extent. The company also books forward contracts from time to time to hedge a part of the exposure. However, since the complete exposure of the company is not hedged, it is exposed to any adverse fluctuation in the foreign exchange prices.

#### **Operations remain exposed to the government regulations and geography specific risks in export markets**

Given the environment hazards of plastics, the sector is directly affected by any government regulations or policies/announcements. Regulatory risk specific to a geography also exist. Some of the countries impose some regulations towards automotive films. For e.g. India has imposed a ban on single-use plastics in an effort to tackle the country's rapidly increasing levels of plastic pollution. The ban includes straws, cutlery, ear buds, packaging films and cigarette packets, among other products, usage of black films on car windows/windcreens.

## Liquidity: Strong

The liquidity profile of the company remains adequate as reflected by projected gross cash accruals of ~Rs.56.05 crore in FY25 against scheduled term loan repayment of Rs.22.35 crore. Further, the average utilization of working capital borrowings stood low at only ~8% for the trailing 12 months ended December 31, 2024. Further, the company's investments in mutual funds, debentures, and interest-bearing bonds (quoted at market value) to the tune of Rs.59.17 crore as on Mar-31, 2024 and Rs. 73.38 crore as on December 31, 2024 respectively. The company does not have any capex plans in near future.

## Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Consumer Durables	Consumer Durables	Plastic Products - Consumer

Incorporated in the year 1988 and based in Ludhiana (Punjab), Nahar Poly Films Limited (NPFL) is a part of the Nahar Group of Industries (Nahar Group), which is managed by Mr. J L Oswal and his family members. Earlier, the company was engaged in textile and investments business under the name of Nahar Exports Ltd (NEL). Pursuant to the scheme of Arrangement and Demerger in 2006, the textile division of NEL demerged from it and merged into Nahar Spinning Mills Limited (NSML). The residual activity (investment division) of NEL was later renamed as Nahar Investments & Holding Ltd (NIHL). Subsequently, in June 2008, the name of the company was changed to NPFL. NPFL commissioned a biaxially-oriented polypropylene (BOPP) plant with an installed capacity of 30,000 tonne per annum (TPA) in Madhya Pradesh which commenced operations in May 2010. In FY22, company has set up another BOPP line for 30,000 TPA, commercialised in Feb 2022 (as on March 31, 2024, total installed capacity stood at 60,000 TPA). The company belongs to the seven-decade old Nahar Group which has a diversified presence in businesses such as textiles, retail, BOPP films, renewable power, real estate, sugar and financial services through its various companies including Oswal Woollen Mills Limited, Monte Carlo Fashions Ltd., Nahar Spinning Mills Ltd., Nahar Industrial Enterprises Ltd., among others.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	723.12	599.59	509.30
PBILDT	81.62	21.00	64.89
PAT	31.94	-8.46	23.30
Overall gearing (times)	0.36	0.26	0.22
Interest coverage (times)	6.59	1.74	8.27

A: Audited UA: Unaudited; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of 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-Term Loan		-	-	September-2029	106.16	CARE A; Stable
Fund-based - LT-Working Capital Limits		-	-	-	54.00	CARE A; Stable
Non-fund-based - ST-BG/LC		-	-	-	12.00	CARE A1

**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	Non-fund-based - ST-BG/LC	ST	12.00	CARE A1	-	1)CARE A1 (02-Jan-24)	1)CARE A1 (26-Dec-22)	1)CARE A2+ (07-Jan-22)
2	Fund-based - LT-Working Capital Limits	LT	54.00	CARE A; Stable	-	1)CARE A; Stable (02-Jan-24)	1)CARE A; Stable (26-Dec-22)	1)CARE A-; Positive (07-Jan-22)
3	Fund-based - LT-Term Loan	LT	106.16	CARE A; Stable	-	1)CARE A; Stable (02-Jan-24)	1)CARE A; Stable (26-Dec-22)	1)CARE A-; Positive (07-Jan-22)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT-Working Capital Limits	Simple
3	Non-fund-based - ST-BG/LC	Simple

**Annexure-5: Lender details**

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

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

## Contact Us

<b>Media Contact</b>  Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a>  <b>Relationship Contact</b>  Ankur Sachdeva Senior Director <b>CARE Ratings Limited</b> Phone: 912267543444 E-mail: <a href="mailto:Ankur.sachdeva@careedge.in">Ankur.sachdeva@careedge.in</a>	<b>Analytical Contacts</b>  Puneet Kansal Director <b>CARE Ratings Limited</b> Phone: 120-4452018 E-mail: <a href="mailto:puneet.kansal@careedge.in">puneet.kansal@careedge.in</a>  Sachin Mathur Associate Director <b>CARE Ratings Limited</b> Phone: 91-120-4452054 E-mail: <a href="mailto:sachin.mathur@careedge.in">sachin.mathur@careedge.in</a>  Akanksha Dutta Lead Analyst <b>CARE Ratings Limited</b> E-mail: <a href="mailto:Akanksha.dutta@careedge.in">Akanksha.dutta@careedge.in</a>
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### About us:

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