

**National Plastic Industries Limited**  
**September 30, 2021**

**Ratings**

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	30.25 (Enhanced from 27.25)	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	2.00	CARE A3 (A Three)	Reaffirmed
Long Term Bank Facilities	-		Withdrawn
<b>Total Facilities</b>	<b>32.25</b> <b>(Rs. Thirty-Two Crore and</b> <b>Twenty-Five Lakhs Only)</b>		

*Details of instruments/facilities in Annexure-1*

**Detailed Rationale & Key Rating Drivers**

*The ratings of term loan is withdrawn owing to No Dues Certificate submitted by the company and there is no outstanding as on date as confirmed by the lender.*

*The reaffirmation in the ratings assigned to the bank facilities of National Plastic Industries Limited (NPIL) continue to derive strength from improved profit margins, steady order book position, diversified product profile, coupled with NPIL's proven track record of more than five decades in plastic moulded products, experienced promoters in the plastics industry and well-established brand image. The rating also takes comfort from the unsecured loans maintained in the business and articulation by the management/promoters of NPIL to infuse funds as and when needed in order to ensure liquidity is available to support the operations of the company.*

*The ratings, however, are continue to be tempered by NPIL's modest scale of operations coupled with susceptibility of profit margins to volatile raw material prices, working capital intensive nature of operations with high inventory holding, moderate capital structure, foreign exchange fluctuation risk and intense competition putting pressure on profit margins.*

**Rating Sensitivities****Positive Sensitivities**

- Increase in the scale of operation despite high competition with total operating income to attain a level of around Rs.150 crore on sustained basis.
- Improvement in the profit margins with PBILDT and PAT margins exceeding 14% and 7% respectively on a sustained basis
- Improvement in the collection and inventory period reaching below 60 days with utilization of the working capital limits reaching below 75% on a sustained basis
- Improvement in the financial risk profile characterized by gearing levels being at around 1.10x, debt coverage indicators with interest coverage exceeding 4 times and total debt to PBILDT reaching below 3.5 times on a sustained basis

**Negative Sensitivities**

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

**Key Rating 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 of track record of operations, NPIL has developed strong association with the suppliers as well as customers thus, enabling it to garner regular orders from them.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

**Established brand name with diversified product portfolio:** 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. The products of NPIL can broadly be classified into furniture, household & commercial items. 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. Besides, the company has a good distribution network as it operates from Mumbai and having its branches in Ghaziabad, Bangalore, Kerala and Punjab. Besides, NPIL has manufacturing facilities located at Silvassa, Patna and Nellore.

**Steady order book position and improved profit margins**

NPIL's PBILDT margin has improved substantially from 5.30% in FY20 to 10.17% in FY21 owing to decrease in raw material consumption cost as proportion to the total operating income to 66% in FY21 from 74% in FY20 due to lowered in crude oil prices have helped NPIL to procured material at lowered cost from Rs. 108 per Kg in FY20 to Rs.103 per Kg in FY21. Given the improvement in the PBILDT margin, the PAT margin also improved to 3.06% in FY21 over 1.85% in FY20 in line with PBILDT margin. Besides, the company has also been able to save costs in terms of logistics, administrative etc. which also supported the profit margins.

The company has a steady order book position of around Rs.27 crore which is to be executed by end of FY21. Besides, the company is also executing orders from Bajaj Electricals which is expected to give support to the topline further.

**Established relations with customers and suppliers**

Over the past five decades of its existence, NPIL has established healthy relationship with reputed customers. The company regularly supplies plastic moulded furniture and houseware to these companies and enjoys relationship for more than a decade. Top five clients of NPIL contributed around 38% of total revenue during FY21. Besides, NPIL enjoys healthy relationship with well-established and reputed suppliers.

**Key Rating Weakness**

**Significant decline in scale of operation; albeit remains at modest levels:** The total operating income of the company has declined significantly by 32.25% in FY21 (refers to the period from April 01 to March 31) and stood at Rs. 77.47 crore as compared to Rs. 114.34 crore in FY20. The reduction in turnover of the company is due to Covid-19 pandemic effect on in the first half of FY21 wherein company incurred losses. Since NPIL deals with consumer products, houseware items and furniture, the complete lockdown during the first quarter hit the sales of the company badly. However, with slowly opening up of lockdown in phase-wise manner from second quarter have help company to recover the sales to the certain extent.

**Working capital intensive nature of operations:** The operation of the company remained working capital intensive due to majority of the funds blocked in inventory and debtors. The inventory holding period and collection period have increased to 132 days and 98 days respectively in FY21 from 87 days and 78 days in FY20 owing to Pandemic effect. Creditors period to stretches to 55 day in FY21 from 41 days in FY20. Further, owing to low credit period received from its suppliers, dependence on external borrowings remained high leading to high utilization of working capital borrowings.

**Moderate capital structure and moderate debt coverage indicators:** The capital structure of NPIL stood moderate despite increase in debt due to additional Term loan of Rs.6.61 crore introduced during FY21 under Covid-19 scheme. Improvement in net-worth was due to accretion of profits to reserves. This has led to marginal improvement in the overall gearing to 1.42x as on March 31, 2021 (vis-à-vis 1.50x as on March 31, 2020). Furthermore, the debt coverage indicators remained moderate and stable.

**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 15% of products.

**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 competition in the market. This competitive and fragmented nature of the industry can have an impact on the profit margin of the company and also led company to adopt liberal credit policy in the market.

**Liquidity Position:**

Adequate liquidity characterized by sufficient cushion in accruals vis-à-vis repayment obligations and moderate cash balance of Rs.2.79 crore. The bank limits are utilized to the extent of 81% and supported by above unity current ratio. Further, average utilization of the fund based working capital limits stood high during past twelve months ended June 2021. The current ratio and quick ratio stood at 1.44x and 0.75x as on March 31, 2021. The company is not projecting any capex and therefore the cash accruals are expected to be utilized towards meeting the debt obligations. The management/promoters have articulated that they have maintained unsecured loans in the business and shall be infusing funds if needed to ensure liquidity is available to support the business.

**Analytical approach:** Standalone.

**Applicable criteria:**

[CARE's Policy on Default Recognition](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[Rating Methodology – Manufacturing Companies](#)

[Criteria for Short Term Instruments](#)

[Financial ratios – Non-Financial Sector](#)

[Policy on Withdrawal of ratings](#)

**About the Company**

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 five decades. The company has three manufacturing units with total installed capacity of 18,650 MTPA which in FY20 operated at 39% capacity utilization (as compared to 43% for FY19). 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 (Mumbai). On the other hand, its manufacturing facilities are located in Silvassa, Patna and Nellore.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)
Total operating income	114.34	77.47
PBILDT	6.06	7.88
PAT	2.11	2.38
Overall gearing (times)	*1.51	*1.42
Interest coverage (times)	1.90	2.84

A: Audited

\*Overall gearing includes unsecured loan from promoters as debt

**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 instrument / facility:** Annexure-3

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

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	0.00	Withdrawn
Fund-based - LT-Cash Credit	-	-	-	30.25	CARE BBB-; Stable
Non-fund-based - ST-ILC/FLC	-	-	-	2.00	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 (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE BBB-; Stable (10-Aug-20)	1)CARE BBB-; Stable (17-Sep-19) 2)CARE BBB-; Stable (05-Sep-19)	1)CARE BBB-; Stable (17-Sep-18)
2.	Fund-based - LT-Cash Credit	LT	30.25	CARE BBB-; Stable	-	1)CARE BBB-; Stable (10-Aug-20)	1)CARE BBB-; Stable (17-Sep-19) 2)CARE BBB-; Stable (05-Sep-19)	1)CARE BBB-; Stable (17-Sep-18)
3.	Non-fund-based - ST-ILC/FLC	ST	2.00	CARE A3	-	1)CARE A3 (10-Aug-20)	1)CARE A3 (17-Sep-19) 2)CARE A3 (05-Sep-19)	1)CARE A3 (17-Sep-18)

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

Name of the Instrument	Detailed explanation
<b>A. Financial covenants</b>	
1. Charges	In case of limits of Rs. 5 crore and above, the borrower shall pay commitment fee at 0.50% p.a. if average utilization is less than 75%
<b>B. Non-financial covenants</b>	
1. No intra group transfer	Intra group transfers not to be allowed unless and until it is a genuine trade transaction in which the borrower deals.

**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.	Fund-based - LT-Term Loan	Simple
3.	Non-fund-based - ST-ILC/FLC	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 instrument:** CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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