

National Plastic Industries Limited

September 17, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	32.33 (enhanced from 29.33)	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Short-term Bank Facilities	2.00	CARE A3 (A Three)	Reaffirmed
Total facilities	34.33 (Rupees Thirty Four crore and Thirty Three lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of National Plastic Industries Limited (NPIL) continue to derive strength from its proven track record of more than five decades in plastic moulded products, experienced promoters in the plastics industry, well-established brand image with diversified product profile, and comfortable capital structure & debt coverage indicators. The ratings, however, are continue to be constrained by the modest scale of operations with moderate profitability coupled with susceptibility of profit margins to volatile raw material prices, working capital intensive nature of operations with high inventory holding, foreign exchange fluctuation risk and intense competition putting pressure on margins. The ratings, further, are also constrained by the project execution & stabilization risk inherent to new machineries procurement. The ability of NPIL to increase the scale of operations along with improvement in profit margins amidst intense competition and maintain its capital structure along with efficient management of working capital requirement are the key rating sensitivities.

Detailed description of the key rating drivers

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 5 decades. Over the years of track record of operation, NPIL has developed strong association with the suppliers as well as customers thus, enabling it to garner regular orders from them.

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.

Comfortable capital structure & debt coverage indicators: The capital structure of the company remained comfortable with the overall gearing ranging from 0.70-0.95 times as on the last 4 balance sheet dates ended March 31 2019, on account of high net-worth base owing to subordination of unsecured loans. Furthermore, owing to moderate profit margins, the debt coverage indicators also remained moderately comfortable with the total debt/GCA and interest coverage ranging from 4.42-5.96 times and 2.82-3.16 times respectively over FY16-FY19.

Key Rating Weakness

Relatively modest scale of operations with moderate profitability: The scale of operations continues to remain modest with a total operating income of Rs.115.32 crore in FY19 and tangible net-worth of Rs.37.17 crore as on March 31, 2019. However, the total operating income has increased by 5.19% y-o-y in FY19 owing to increase in revenues from various segments viz. coolers, trading activity, moulded plastic articles etc. Further, the profit margins of the entity remained at moderate level in the range of 8-10% during last three years ending FY19.

Working capital intensive nature of operations: The operations of the company continue to remain working capital intensive with funds of over 80-100 days being blocked in inventory and over 50-60 days in debtors during last 4 years ending FY19. Further, owing to low credit period received from its suppliers, dependence on external borrowings remained high leading to high utilization of working capital borrowings.

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

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

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.

Project execution & stabilization risk inherent to new machineries procurement: NPIL has proposed to procure 3 machineries at its Silvassa plant, totaling to Rs.4.54 crore, which are expected to be funded by way of bank term loan worth Rs.3 crore and the balance from internal accruals. The company is exposed to project execution risk, since it has not yet incurred any expenses towards the said project. Moreover, the company is also exposed to subsequent stabilization risk with regard to timely commencement of production from the said machineries.

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 Analysis

The liquidity position is marked by moderately low current ratio and quick ratio at 1.21 times and 0.62 times respectively as on March 31, 2019 (vis-à-vis 1.14 times and 0.57 times respectively as on March 31, 2018). The company owns a free cash & bank balance worth Rs.0.92 crore as on March 31, 2019 (vis-à-vis Rs.0.70 crore as on March 31, 2018). The net cash flow from operating activities stood positive at Rs.5.28 crore in FY19 (vis-à-vis positive at Rs.4.64 crore in FY18). The average working capital utilization in the last 12 months ended July 2019 stood at 88.37% (vis-à-vis 92.22% in the 12 months ended August 2018).

Analytical Approach: Standalone

Applicable Criteria

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

[Criteria on assigning Outlook to Credit Ratings](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology-Manufacturing Companies](#)

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

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. 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), whereas 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 with total installed capacity of 18,650 MTPA (Metric Tonnes Per Annum) of which 43.29% capacity utilized during FY19 (as compared to 46.92% in FY18). NPIL is focused on domestic market contributing 86.24% of the gross sales in FY19 (vis-à-vis 86.28% in FY18) and rest 13.76% (vis-à-vis 13.50% in FY18) are through exports to Australia, Middle East, Panama, Africa, New Zealand and Romania.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	109.63	115.32
PBILDT	10.08	9.66
PAT	3.25	2.23
Overall gearing (times)	0.86	0.91
Interest coverage (times)	3.16	3.16

A: Audited

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating History (Last three years): Please refer Annexure-2

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	-	-	August, 2020	5.08	CARE BBB-; Stable
Fund-based - LT-Cash Credit	-	-	-	27.25	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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	5.08	CARE BBB-; Stable	1)CARE BBB-; Stable (05-Sep-19)	1)CARE BBB-; Stable (17-Sep-18)	1)CARE BBB-; Stable (02-Feb-18)	1)CARE BBB- (05-Dec-16) 2)CARE BBB- (13-Apr-16)
2.	Fund-based - LT-Cash Credit	LT	27.25	CARE BBB-; Stable	1)CARE BBB-; Stable (05-Sep-19)	1)CARE BBB-; Stable (17-Sep-18)	1)CARE BBB-; Stable (02-Feb-18)	1)CARE BBB- (05-Dec-16) 2)CARE BBB- (13-Apr-16)
3.	Non-fund-based - ST-ILC/FLC	ST	2.00	CARE A3	1)CARE A3 (05-Sep-19)	1)CARE A3 (17-Sep-18)	1)CARE A3 (02-Feb-18)	1)CARE A3 (05-Dec-16) 2)CARE A3 (13-Apr-16)

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Contact us**Media Contact**

Mradul Mishra

Contact No. – +91-22-6837 4424

Email ID – mradul.mishra@careratings.com**Analyst Contact**

Mr. Ashish Kambli

Contact No. – 022-67543684

Email: ashish.kambli@careratings.com**Relationship Contact**

Ms. Meenal Sikchi

Cell: + 91 98190 09839

E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva

Cell: + 91 98196 98985

E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar

Cell: + 91 99675 70636

E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy

Cell: + 91 98209 98779

E-mail: saikat.roy@careratings.com**About CARE Ratings:**

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