

PIL Italica Lifestyle Limited

January 06, 2020

Rating

Facility/Instrument	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	5.00	CARE BB; Stable (Double B; Outlook: Stable)	Assigned
Short Term Bank Facilities	2.00	CARE A4 (A Four)	Assigned
Total facilities	7.00 (Rs. Seven Crore only)		

Details of facilities in Annexure-1

Detailed Rationale & Key rating Drivers

The ratings assigned to the bank facilities of PIL Italica Lifestyle Limited (PIL) are primarily constrained on account of fluctuating and modest scale of operations with thin profitability margins. The ratings, further, constrained on account of vulnerability of margins to fluctuation in the raw material prices and foreign exchange rate and its presence in the highly competitive industry along with availability of substitutes.

The ratings, however, favorably take into account experienced management with established marketing network, comfortable solvency position and adequate liquidity position

Rating Sensitivities

Positive Factors

- Increase in scale of operations more than Rs.70.00 crore
- Improvement in profitability margin with PBILD margin more than 8%

Negative Factors

- Any new debt funded project undertaken by the company which results in deterioration in capital structure more than 1.50 times
- Deterioration in operating margins on account of volatile raw material prices and foreign exchange fluctuation risk
- Any adverse change in government policy for plastic products
- Deterioration in liquidity position from its current level

Detailed description of the key rating drivers

Key Rating Weakness

Fluctuating and modest scale of operations with thin profitability margins

The scale of operations of the company has witnessed fluctuating trend during the past three financial years ended FY19 on account of low trading activity and demand owing to its presence in a highly competitive and fragmented industry. The scale of operations of the company stood modest with TOI and PAT of Rs.54.10 crore and Rs.3.14 crore respectively in FY19. Further, the company is also engaged in the financing activities and has capital employed of Rs.37.53 crore as on September 30, 2019. During FY19, it has registered 79.74% of TOI from manufacturing activities, 13.72% from trading activities (36.48% in FY18) and 4.97% through financing activities (5.00% in FY18). Further, Till September 30, 2019 the company has achieved a turnover of Rs. 25.00 Crore with PBILD margin and PAT margins of 7.48% and 6.36% respectively.

The profitability margins of the company stood thin marked by PBILD margin and PAT margin of 6.38% and 5.81% respectively in FY19. PBILD margin has improved by 18 bps in FY19 over FY18 owing to low cost of traded goods. However, PAT margin has decreased by 894 bps in FY19 over FY18 owing to low extraordinary income Rs.0.75 Crore in FY19 as against Rs.2.02 Crore in FY18. During FY17 and FY18, it has registered extraordinary income of Rs. 7.12 crore and 2.02 Crore respectively owing to write of creditors under the revival scheme sanctioned by BIFR.

Presence in highly competitive industry along with availability of substitutes

Plastic industry is highly competitive due to the low entry barriers in the industry like low investment requirements and absence of any licenses required for setting-up a unit. 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.

Vulnerability of margins to fluctuation in raw material prices and foreign exchange rate

The primary raw material required for manufacturing of PP granules, is a crude oil derivative. Over the years, prices of crude oil have been volatile and so are the prices of polymers. Considering the volatility associated with raw material prices and timing difference arising in procurement of raw material and realization of sales, exposes the company's operating margins

to fluctuations. Further, company also exports its products to the established markets of Qatar and is also planning to explore new and potential markets thereby exposing itself to foreign exchange rate fluctuations.

Key Rating Strengths

Experienced management with established marketing network

Mr. Daud Ali, Managing Director, is graduate by qualification and has more than four decade of experience in the industry. He looks after overall affairs of the company. He is assisted by Mr. Narendra Bhanawat, Chief Financial Officer who has more than fifteen years of experience and looks after finance function. Mr. Rajendra Heda, Vice-President (Plant operations), looks after the plant operations of the company. They are further assisted by a team of more than 50 employees who assist the management in day to day operations of the company.

The company mainly supplies its plastic moulded furniture in Rajasthan, Haryana, Uttar Pradesh, Madhya Pradesh and Jammu & Kashmir i.e. catering most of the North Indian market through chain of dealers and distributors. It has almost 100 distributors and 600 dealers all over India. It also exports its product to countries like South Africa, Ghana and Dubai etc.

Comfortable solvency position

The capital structure of the company stood comfortable on account of absence of long term debt obligations and marginal working capital utilization of Rs.0.14 crore as on March 31, 2019. Due to negligible debt, the debt coverage indicators of the company stood moderate with total debt to gross cash accruals of 0.04 times as on March 31, 2019 and interest coverage ratio of 50.14 times in FY19.

Liquidity: Adequate

The operating cycle of the company stood moderate at 72 days in FY19, deteriorated from 51 days in FY18 owing to high inventory holding period. The main raw material for the products includes polypropylene granules and copolymers and it purchases from del-cadre agents of Reliance Industries Limited (RIL) from Udaipur etc. It receives payment from customers and makes payments within 25-40 days. It has utilized 18.71% of its average working capital bank borrowings during last five months ended September, 2019. Due to high loans and advances given to others along with negligible working capital bank borrowings, the current ratio and quick ratio stood comfortable at 10.32 times and 8.62 as on March 31, 2019. During FY19, the net cash flow from operating activities has improved from negative Rs.22.10 crore in FY18 to negative Rs. 0.11 crore in FY19 mainly due to lower creditors and higher loans and advances. The cash and bank balance of the company as on March 31, 2019 stood Rs. 0.08 Crore.

Analytical approach: Standalone

Applicable Criteria

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

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

[Criteria for Short Term Instruments](#)

[Rating Methodology- Manufacturing Companies](#)

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

About the Company

Udaipur (Rajasthan) based PIL Italica Lifestyle Limited (PIL) was originally incorporated as a Public Limited Company in 1992 by Mr. Daud Ali as "Peacock Industries Limited" for carrying out manufacturing and trading of Plastic moulded furniture such as chairs, tables, stools, crates, storage and waste bins etc. 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. The company is engaged in the business of manufacturing and trading of plastic moulded furniture such as chairs, tables, stools, crates, storage and waste bins etc. It is also engaged in the business of financing activities. The manufacturing facility of the company is located at Udaipur, Rajasthan and is certified with International Organization for Standardization (ISO) like ISO 9001:2015. It sells its product in India as well as export to countries like South Africa, Ghana and Dubai etc. However, percentage of export sales remained low at 0.003% of Total Operating Income (TOI).

Brief Financials (Rs. crore)	FY18(A)	FY19(A)
Total operating income	73.20	54.10
PBILDT	4.54	3.45
PAT	10.80	3.14
Overall gearing (times)	0.03	0.00
Interest coverage (times)	27.58	50.14

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for 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-Cash Credit	-	-	-	5.00	CARE BB; Stable
Fund-based - ST-Bank Overdraft	-	-	-	2.00	CARE A4

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-Cash Credit	LT	5.00	CARE BB; Stable	-	-	-	-
2.	Fund-based - ST-Bank Overdraft	ST	2.00	CARE A4	-	-	-	-

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

Group Head Name - Mr. Abhishek Jain

Group Head Contact no.- 0141-4020213/14

Group Head Email ID- abhishek.jain@careratings.com

Business Development Contact

Name: Mr. Nikhil Soni

Contact no. : +91-141-402 0213 / 14

Email ID : nikhil.soni@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.