

## Rating Rationale

May 10, 2022 | Mumbai

### National Plasto Moulding

Rating outlook revised to 'Stable'; Ratings reaffirmed

#### Rating Action

Total Bank Loan Facilities Rated	Rs.20.07 Crore
Long Term Rating	CRISIL BBB-/Stable (Outlook revised from 'Negative'; Rating Reaffirmed)
Short Term Rating	CRISIL A3 (Reaffirmed)

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

#### Detailed Rationale

CRISIL Ratings has revised its rating outlook on long-term bank facilities of National Plasto Moulding (NPM; a part of the National group) to 'Stable' from 'Negative', while reaffirming the ratings at 'CRISIL BBB-/CRISIL A3'.

The ratings continue to reflect the National group's established market position and the extensive experience of its promoters in the plastic furniture industry. These strengths are partially offset by susceptibility to volatility in raw material prices and exposure to intense competition.

The revision in outlook is driven by better than expected profitability in FY 22 (while maintaining turnover, working capital cycle and capital structure).

#### Analytical Approach

The business and financial risk profiles of National Plasto Products Pvt Ltd (NPPPL) and NPM have been combined, as both the entities, collectively referred to as the National group, are in the same business, and have operational fungibility and a common management.

Unsecured loans from the promoters have been treated as 75% equity and 25% debt since they are subordinated to external debt.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

#### Key Rating Drivers & Detailed Description

##### Strengths:

- Established market position and the extensive experience of the promoters**  
The promoters' experience of over 25 years in the industry, the group's established brand in East India and strong network of 200-250 distributors will continue to support the business. The company offers moulded plastic furniture such as tables, chairs, and stools.
- Moderate growth in turnover expected**  
Turnover was healthy at Rs 141.37 crore in fiscal 2021 as the group came out of operational challenges caused by the covid-19 pandemic and subsequent lockdowns in the current fiscal. The recommencement of full operations at all the plant and increase in capacity utilisation at the Roorkee (Uttarakhand) plant, will continue to support volume growth over the medium term with topline expected to grow as well.
- Moderate financial risk profile**  
The financial risk profile is supported by robust network of Rs 61.08 crore and low gearing of 0.75 time as on March 31, 2021. Debt protection metrics remained comfortable, supported by above-average profitability. Interest coverage was moderate at 2.03 times in fiscal 2020. The financial risk profile should remain healthy over the medium term.

##### Weaknesses:

- Volatility in raw material prices**  
Raw material cost accounts for 70% of the operating income, which makes profitability susceptible to fluctuations in input prices. The major raw material for moulded furniture is polypropylene, which is a petro-based polymer. Volatility in input prices in the international market, along with limited pricing power, led to fluctuation in operating margin. Although the risk is mitigated by an established brand, the margin will remain susceptible to raw material price fluctuations.
- Exposure to intense competition**  
The plastic furniture industry has numerous unorganised players, rendering the segment intensely competitive. Moreover, competition from established players such as Nilkamal Ltd, The Supreme Industries Ltd ('CRISIL AA/Stable/CRISIL A1+'), Prima Plastics Ltd ('CRISIL BBB-/Stable/CRISIL A3'), and Jaks Plast Products Pvt Ltd, reduces the pricing power. Indian companies also face intense competition from imported products and multinational corporations.

#### Liquidity: Adequate

Cash accrual, expected at Rs 7 crore over the medium term should comfortably cover repayment obligations of Rs 3-4 crore and the surplus will support liquidity. Bank limit was utilised at a moderate at 88%% in the 12 months ended February 2022. Current ratio was healthy at 1.52 times as on March 31, 2021. Need-based funding support from the promoters is expected to continue

#### Outlook: Stable

CRISIL Ratings believes the company will continue to benefit from the experience of its promoters.

**Rating Sensitivity factors****Upward Factors:**

- Increase in revenue and stable operating margin, leading to cash accrual of more than Rs 7.5 crore
- Enhancement in working capital cycle, with improvement in debtor days

**Downward Factors:**

- Decline in profitability or revenue leading to cash accrual of less than Rs 4 crore
- Capital withdrawal weakening the liquidity profile
- Capital structure deteriorates due to any large capital expenditure or if substantial increase in working capital requirements weakens the financial and liquidity profiles

**About the Group**

The National group, promoted by Mr Ratan Kumar Sharma, Mr Raj Kumar Sharma, and Mr Sukh Ram Sharma, manufactures moulded plastic furniture. The group has manufacturing units in Kolkata (West Bengal), Guwahati (Assam), Roorkee, and Hajipur.

**Key Financial Indicators**

As on / for the period ended March 31		2021	2020
Operating income	Rs crore	141.37	145.28
Reported profit after tax	Rs crore	0.91	1.25
PAT margin	%	0.6	0.9
Adjusted debt/Adjusted networth	Times	0.75	0.66
Interest coverage	Times	2.04	2.03

**Any other information:** Not applicable

**Note on complexity levels of the rated instrument:**

CRISIL Ratings' complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings' complexity levels please visit [www.crisilratings.com](http://www.crisilratings.com). Users may also call the Customer Service Helpdesk with queries on specific instruments.

**Annexure - Details of Instrument(s)**

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity level	Rating assigned with outlook
NA	Term Loan	NA	NA	Sept-22	2.23	NA	CRISIL BBB-/Stable
NA	Cash Credit	NA	NA	NA	11.2	NA	CRISIL BBB-/Stable
NA	Proposed Fund-Based Bank Limits	NA	NA	NA	4.4	NA	CRISIL BBB-/Stable
NA	Bank Guarantee	NA	NA	NA	0.5	NA	CRISIL A3
NA	Short Term Loan	NA	NA	Sept-22	1.74	NA	CRISIL A3

**Annexure – List of entities consolidated**

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
National Plasto Moulding	Full	Financial, operational & managerial linkages
National Plasto Products Private Limited	Full	Financial, operational & managerial linkages

**Annexure - Rating History for last 3 Years**

Instrument	Current			2022 (History)		2021		2020		2019		Start of 2019
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT/ST	19.57	CRISIL BBB-/Stable / CRISIL A3		--	04-03-21	CRISIL BBB-/Negative / CRISIL A3	27-03-20	CRISIL BBB-/Negative		--	CRISIL BBB-/Stable
Non-Fund Based Facilities	ST	0.5	CRISIL A3		--	04-03-21	CRISIL A3	27-03-20	CRISIL A3		--	CRISIL A3

All amounts are in Rs.Cr.

**Annexure - Details of Bank Lenders & Facilities**

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Bank Guarantee	0.5	State Bank of India	CRISIL A3
Cash Credit	7.5	IDBI Bank Limited	CRISIL BBB-/Stable
Cash Credit	3.7	State Bank of India	CRISIL BBB-/Stable
Proposed Fund-Based Bank Limits	4.4	Not Applicable	CRISIL BBB-/Stable
Short Term Loan	0.85	IDBI Bank Limited	CRISIL A3
Short Term Loan	0.89	State Bank of India	CRISIL A3
Term Loan	1	IDBI Bank Limited	CRISIL BBB-/Stable
Term Loan	1.23	State Bank of India	CRISIL BBB-/Stable

This Annexure has been updated on 10-Feb-23 in line with the lender-wise facility details as on 20-Jan-23 received from the rated entity.

## Criteria Details

<b>Links to related criteria</b>
<a href="#">CRISILs Bank Loan Ratings</a>
<a href="#">The Rating Process</a>
<a href="#">Understanding CRISILs Ratings and Rating Scales</a>
<a href="#">CRISILs Criteria for Consolidation</a>

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