Press Release

Nishant Mouldings Private Limited (NMPL)

October 07, 2024

Ratings

Instruments / Facilities	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Facilities	122.55 (increased from 110.30)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB-/ Negative (IVR Triple B Minus with Negative Outlook)	Reaffirmed and Outlook Revised	Simple
Short Term Facilities	6.00 (increased from 3.00)	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	Reaffirmed	Simple
Long Term/ Short Term Facilities	5.00	IVR BBB-/ Stable / IVR A3 (IVR Triple B Minus with Stable Outlook/ IVR A Three)	IVR BBB-/ Negative/ IVR A3 (IVR Triple B Minus with Negative Outlook/ IVR A Three)	Reaffirmed and Outlook Revised	Simple
Total	**Rs. 133.55 Cr (Rupees One Hundred and Thirty-Three Crores and Fifty-Five Lakhs Only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The reaffirmation of the ratings and revision in the rating outlook to Stable from Negative to the bank facilities of Nishant Mouldings Private Limited (NMPL) reflects increasing scale of operations and overall improvement in the credit profile of the company. The ratings assigned to the bank facilities of NMPL continues to factors in long operational track record and experienced promoters, increasing scale of operations and production capacity enhancement.

The ratings, however, are constrained by the moderate capital structure and modest debt coverage indicators, increased long term debt obligation and susceptibility to changes in government regulations. The company remains exposed to fragmented & competitive nature of the industry.

Key Rating Sensitivities:

Upward Factors

- Sustained & substantial growth in revenue while retaining the operating profit margin, resulting in higher net cash accruals and improved debt coverage indicators.
- Specific credit metrics for rating upgrade include operating margin of above 10% and DSCR of more than 1.5X on a sustained basis.

Downward Factors

- Any decline in revenues and profitability impacting the debt coverage indicators.
- Any elongation of working capital cycle leading to deterioration in capital structure & liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long operational track record and experienced promoters

The company started its operations in 2001 and has a long track record of more than two decades. The promoters have extensive industry experience and an established track record in the plastic packaging industry. Along with the experienced management team the company enjoys the benefit of established relationships with customers and suppliers.

Increasing scale of operations and production capacity enhancement

There is a constant upward trend in the topline for the last three years marked by total income of Rs. 650.10 crore in FY24(P) (Refers to period April 1st, 2023 to March 31st, 2024) (FY23: Rs 550.76 crore, FY22: Rs 426.30 crore). The company has consistently undertaken measures to increase production capacity of various PET Preforms by setting up two production units in Silvassa and one unit in Kolkata and a new manufacturing facility at Bangalore for bottles, jars, caps, and closures few years back. The company has installed the latest and efficient moulding machineries to enhance the overall production process as per various client requirements.

Key Rating Weaknesses

Moderate capital structure and modest debt coverage indicators

The gearing remained moderately high at 1.97 times as on 31st Mar 2024(P) against 2.23 times as on 31st Mar 2023. However, the company has unsecured loans to the extent of Rs.13.42 crore from directors and shareholders which are reported to be interest free and considered as Quasi Equity. TOL/ TNW improved marginally to 2.43x as on 31st Mar 2024(P) from 2.98x as on 31st Mar 2023. Interest coverage ratio is maintained at 1.75x as on 31st Mar 2024(P).

Increased long term debt obligation

The company has undertaken debt-funded capex to further enhance its installed capacity. The increased term debt along with increased ECLGS loans is likely to exert pressure on the debt servicing position of the company.

Susceptibility to changes in government regulations

The company manufactures plastic packaging products and hence is exposed to government regulations pertaining to production of plastics, pollution, and crude oil. Any change in the regulations by the government may impact the production capacity and price margins and overall business of the company.

Susceptibility of margins to fluctuation in raw material prices and intense competition in the fragmented industry

The plastic industry is highly fragmented and is marked by the presence of many large players and small players in the market. The current situation is vulnerable due to various global conflicts which impacts the prices of PET granules (major raw material of NMPL) as it is directly linked to the volatility in crude oil prices. This intensifies competition and limits the pricing flexibility of the industry participants. However, the same is reduced as the company pledges the change in pricing to customers with almost immediate effect.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies]
[Criteria on assigning rating outlook]
[Policy on Default Recognition and Post-Default Curing Period]
[Complexity Level of Rated Instruments/Facilities]
[Financial Ratios & Interpretation (Non-Financial Sector)]

Liquidity – Adequate

The liquidity position of the company is adequate on account of moderate utilisation of working capital facilities at ~81% for the past 12 months ended July 2024. The gross cash accruals is expected to be sufficient to meet the maturing debt obligations over the next 12 months. Additionally, to support the liquidity promoters have further infused Rs. 13.42 Crore of unsecured loans till 31st March 2024 (P) which is treated as Quasi Equity. The company's cash and bank balance stood low at Rs.0.66 Crore as of 31st March 2024 (P). Current ratio stood moderate at 1.14x and operating cycle is moderate at 56 days as of 31st March 2024 (P).

About the Company

Nishant Mouldings Pvt. Ltd. (NMPL) was incorporated in 2001 at Bengaluru, Karnataka as a Manufacturer, Supplier and Exporter of PET (Polyethylene Terephthalate) Preforms, PET Jars, PET Bottles, etc. The company is in the Packaging Industry that provides PET packaging solutions to a plethora of dealers in the diverse market segments of FMCG sector. NMPL manufactures products in various designs, colours, and sizes under the brand name of Fortuna Pet. It's a family-owned business run by three directors Biz. Mr. Mahendra Bafna, Mr. Pankaj Bafna and Mr. Nishant Bafna.

Financials (Standalone):

INR in Crores

For the year ended* / As on	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	545.77	645.45
EBITDA	44.36	57.04

PAT	6.26	8.64
Total Debt	160.77	172.50
Tangible Net worth	71.97**	87.77**
EBIDTA Margin (%)	8.13	8.84
PAT Margin (%)	1.14	1.33
Overall Gearing Ratio (X)	2.23	1.97
Interest Coverage (X)	1.75	1.75

**Classification as per informerics' standards*

***includes Subordinated Unsecured Loan of Rs 6.25 Crore and Rs 13.42 Crore respectively*

Status of non-cooperation with previous CRA: Brickwork ratings has continued to classify the rating as ISSUER NOT COOPERATING category vide PR dated May 16th, 2024 on account of non-availability of information and lack of cooperation from the client.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	**Amount outstanding /Proposed (Rs. Crore)**	**Rating**	**Date(s) & Rating(s) assigned in 2023-24**	**Date(s) & Rating(s) assigned in 2022-23**	**Date(s) & Rating(s) assigned in 2021-22**
					Date (Aug 08, 2023)	**Date** (May 09, 2022)	**Date** (Month XX, 20XX)
1.	Term Loan (Outstanding)	Long Term	30.05	IVR BBB-/Stable	IVR BBB-/Negative	IVR BBB-/Stable	-
2.	ECLGS (Outstanding)	Long Term	8.50	IVR BBB-/Stable	IVR BBB-/Negative	IVR BBB-/Stable	-
3.	Cash Credit	Long Term	76.00	IVR BBB-/Stable	IVR BBB-/Negative	IVR BBB-/Stable	-
4.	WCDL	Long Term	8.00	IVR BBB-/Stable	IVR BBB-/Negative	IVR BBB-/Stable	-
5.	DLOD	Long-Term/ Short-Term	5.00	IVR BBB-/Stable / IVR A3	IVR BBB-/ Negative/ IVR A3	-	-
6.	Supplier Bill Disc.	Short Term	6.00	IVR A3	IVR A3	IVR A3	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Facility Details

Sl. No.	Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs Cr.)	Rating Assigned/ Outlook
1	Term Loan (Outstanding)	-	-	Up to Jan 2031	30.05	IVR BBB-/Stable
2	ECLGS (Outstanding)	-	-	Up to Mar 2028	8.50	IVR BBB-/Stable
3	Cash Credit	-	-	-	76.00	IVR BBB-/Stable
4	WCDL	-	-	-	8.00	IVR BBB-/Stable
5	DLOD	-	-	-	5.00	IVR BBB-/Stable / IVR A3
6	Supplier Bill Disc.	-	-	-	6.00	IVR A3

Annexure 2: Facility wise lender details
https://www.infomerics.com/admin/prfiles/Len-Nishant-Mouldings-7oct24.pdf

Annexure 3: Detailed explanation of covenants of the rated facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com